

**FIRST AMENDED AND RESTATED SERVICING AGREEMENT**

**Between**

**STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES**

**And**

**SOUTHERN CALIFORNIA EDISON COMPANY**

**THIS AGREEMENT HAS BEEN FILED WITH AND APPROVED BY THE CALIFORNIA PUBLIC UTILITIES COMMISSION ("COMMISSION") FOR USE BETWEEN THE STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES ("DWR") AND SOUTHERN CALIFORNIA EDISON COMPANY ("UTILITY").**

**Execution Date:** \_\_\_\_\_

**Date of Commission Approval:** \_\_\_\_\_

**Effective Date:** \_\_\_\_\_

## SERVICING AGREEMENT

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### ATTACHMENTS

<u>Attachment</u>	<u>Title</u>
SA1	Service Attachment 1 – Consolidated Utility Billing Services
A	Representatives and Contacts
B	Remittance Methodology
C	Sample Daily and Monthly Reports
D	General Terms and Conditions
E	Additional Provisions
F	Calculation Methodology for Reduced Remittances Pursuant to 20/20 Program
G	Fee Schedule
H	Adjustments to DWR Charges for Variances in DWR Power and Utility- Provided Electric Power Delivered
I	Letter Agreement Dated February 28, 2002, and amended as of March 18, 2002



## **FIRST AMENDED AND RESTATED SERVICING AGREEMENT**

**THIS FIRST AMENDED AND RESTATED SERVICING AGREEMENT** (the "Agreement") is entered into by and between the State of California Department of Water Resources ("DWR"), separate and apart from its powers and responsibilities with respect to the State Water Resources Development System, and Southern California Edison Company, a California corporation ("Utility"). DWR and Utility are sometimes collectively referred to as the "Parties" and individually referred to as a "Party."

### **RECITALS**

- A. Under the Act, DWR is authorized to sell electric power and energy to Customers. Amounts payable by DWR under this Agreement are payable solely from the Department of Water Resources Electric Power Fund established pursuant to Section 80200 of the California Water Code or other appropriated amounts legally available therefor.
- B. Utility is engaged in, among other things, the transmission and distribution of electrical services to customers in its service territory, the billing and collection for electrical services and other charges, and the ownership, installation and reading of electrical meters for such customers.
- C. The Act and Applicable Commission Orders allow DWR and the Utility to enter into contracts under which the Utility provides for the transmission and distribution of all power sold or made available for sale by DWR to Customers, and provides billing, collection and related services, as agent for DWR, on terms and conditions that reasonably compensate Utility for its services.
- D. On June 23, 2001, the Parties entered into a Servicing Agreement to set forth the terms under which Utility will provide for the transmission and distribution of DWR Power as well as billing and related services.
- E. On September 6, 2001, the Commission approved the Agreement pursuant to Decision 01-09-014, and ordered certain amendments to the Servicing Agreement as described in Ordering Paragraphs 3, 4 and 5 of such decision.
- F. On February 21, 2002, the Commission issued Decision 02-02-051, approving and adopting a Rate Agreement between the Commission and the Department.
- G. On February 28, 2002, the Parties entered into a Letter Agreement addressing Imbalance Energy and allocating responsibility for certain ISO charges.
- H. The Parties desire to amend the Agreement to comply with Commission Decision 01-09-014, to implement certain provisions of the Rate Agreement, and to provide for servicing arrangements which are consistent with the agreements reached in the aforesaid Letter Agreement.

**NOW, THEREFORE,** in consideration of the mutual obligations of the Parties, the Parties agree as follows:

**Section 1. Definitions.**

The following terms, when used herein (and in the attachments hereto) with initial capitalization, shall have the meaning specified in this Section 1. Certain additional terms are defined in the attachments hereto. The singular shall include the plural and the masculine shall include the feminine and neuter, and *vice versa*. "Includes" or "including" shall mean "including without limitation." References to a section or attachment shall mean a section or attachment of this Agreement, as the case may be, unless the context requires otherwise, and reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented or restated through the date as of which such reference is made (except as otherwise specifically provided herein). Unless the context otherwise requires, references to Applicable Laws or Applicable Tariffs shall be deemed references to such laws or tariffs as they may be amended, replaced or restated from time to time. References to the time of day shall be deemed references to such time as measured by prevailing Pacific time.

- 1.1. **ACH** – Automated Clearing House, a nationwide payment and collection system which provides for the electronic distribution and settlement of funds.
- 1.2. **Act** – Chapter 4 of Statutes of 2001 (Assembly Bill 1 of the First 2001-02 Extraordinary Session) of the State of California, as amended from time to time.
- 1.3. **Additional Charges** – Additional Charges shall have the meaning set forth in Section 7.2 below.
- 1.3.5 **Aggregate Power** –DWR Power, Utility-Provided Electric Power, and, subject to Section 4.3 of the Rate Agreement, ESP Power or other third party-provided Power for Customers located within Utility's service territory, to the extent DWR Charges are authorized to be imposed on any such Power by Applicable Commission Orders.
- 1.4. **Agreement** – This Servicing Agreement, including all attachments hereto.
- 1.5. **Applicable Commission Orders** – Such rules, regulations, decisions, opinions or orders as the Commission may lawfully issue or promulgate from time to time, which further define the rights and obligations of the Parties under this Agreement.
- 1.6. **Applicable Law** – The Act, Applicable Commission Orders and any other applicable statute, constitutional provision, rule, regulation, ordinance, order, decision or code of a Governmental Authority.

- 1.7. **Applicable Tariffs** – Utility’s tariffs, including all rules, rates, schedules and preliminary statements, governing electric energy service to Customers in Utility’s service territory, as filed with and approved by the Commission and, if applicable, the Federal Energy Regulatory Commission.
- 1.8. **Assign(s)** – Assign(s) shall have the meaning set forth in Section 14.3(c).
- 1.9. **Billing Services** – means Consolidated Utility Billing Service.
- 1.9.3 **Bond Charges** – Bond Charges shall have the meaning set forth in the Rate Agreement.
- 1.9.7 **Bundled Customer** – A Customer that purchases Power from Utility.
- 1.10. **Bureau** – Bureau shall have the meaning set forth in Section 8.2(b).
- 1.11. **Business Days** – Regular Monday through Friday weekdays which are customary working days, excluding holidays, as established by Applicable Tariffs.
- 1.12. **Business Hours** – The period on a Business Day from 9:00 a.m. until 5:00 p.m.
- 1.13. **C.E.R.S.** – California Energy Resource Scheduling, a division of DWR.
- 1.14. **Charges** – DWR Charges and Utility Charges.
- 1.15. **Claims** – Claims shall have the meaning set forth in Section 12.
- 1.16. **Commission** – The California Public Utilities Commission.
- 1.17. **Confidential Information** – Confidential Information shall have the meaning set forth in Section 6.1(c).
- 1.18. **Consolidated Utility Billing Service** – Billing service through the use of Consolidated Utility Bills as described in Service Attachment 1 to this Agreement.
- 1.19. **Consolidated Utility Bill** – A consolidated bill prepared and presented by Utility to a Customer which includes both the Customer’s Utility Charges and DWR Charges.
- 1.20. **Customer** – A retail end use customer in Utility’s service area that purchases (or is deemed to purchase) Aggregate Power.
- 1.21. **Daily Remittance Amount** – Daily Remittance Amount shall have the meaning set forth in Section 4.2(a).

- 1.22. **Daily Remittance Report** – Daily Remittance Report shall have the meaning set forth in Section 4.2(b).
- 1.23. **Day-Ahead Market** – The daily ISO forward market for which energy and ancillary services are scheduled for delivery on the following calendar day.
- 1.24. **Delinquent Payment** – Delinquent Payment shall mean the payment of any amount due under this Agreement after the time when payment is required to be made hereunder, as further described and/or limited hereunder.
- 1.25. **Discloser** – Discloser shall have the meaning set forth in Section 6.1(c).
- 1.26. **Reserved.**
- 1.27. **Reserved. DWR Charges** – Bond Charges, Power Charges and any other amounts authorized to be collected from Customers pursuant to Applicable Commission Orders and Applicable Law in order to meet DWR's revenue requirements under the Act, as calculated pursuant to Applicable Law.
- 1.29. **DWR Power** – The electric power and energy, including but not limited to capacity and output, or any of them supplied by DWR to Bundled Customers pursuant to the Act and Applicable Commission Orders.
- 1.30. **DWR Revenues** – Those amounts required to be remitted to DWR by Utility for DWR Charges.
- 1.31. **DWR's Agent** – DWR's Agent shall have the meaning set forth in Section 8.2(b).
- 1.32. **Effective Date** – The date this Agreement is effective in accordance with Section 14.16, as such date is set forth on the cover page hereof.
- 1.32.3 **Electric Service Provider** – Electric Service Provider has the meaning set forth in the Rate Agreement.
- 1.32.7 **ESP Power** – Power sold by an Electric Service Provider to Customers.
- 1.33. **Event of Default** – Event of Default shall have the meaning set forth in Section 5.2.
- 1.34. **Execution Date** – The date this Agreement is fully executed by the Parties, as such date is set forth on the cover page hereof.
- 1.35. **Final Hour-Ahead Schedule** – The final schedule of DWR Power submitted by DWR and Utility and published by the ISO for the Hour-Ahead Market.

- 1.36. **Fund** – Fund shall have the meaning set forth in Section 13.2.
- 1.37. **Governmental Authority** – Any nation or government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to a government, including the Commission.
- 1.38. **Governmental Program** - Any program or directive established by Applicable Law which directly or indirectly affects the rights or obligations of the Parties under this Agreement and which obligates or authorizes DWR to make payments or give credits to Customers or other third parties under such programs or directives.
- 1.39. **Hour-Ahead Market** – The ISO forward market for which energy and ancillary services are scheduled for subsequent hours for delivery on the current calendar day.
- 1.40. **Imbalance Energy** – Imbalance Energy has the meaning set forth in the Letter Agreement, as amended, attached as Attachment I.
- 1.41. **Indemnified Party** – Indemnified Party shall have the meaning set forth in Section 12.
- 1.42. **Indemnifying Party** – Indemnifying Party shall have the meaning set forth in Section 12.
- 1.43. **Initial Remittance Date** – Initial Remittance Date shall have the meaning set forth in Section 4.2(a).
- 1.44. **Insolvency Event** – With respect to Utility, (a) the filing of a decree or order for relief by a court having jurisdiction in its premises or any substantial part of its property in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for it or for any substantial part of its property, or the ordering of the winding-up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive calendar days; or (b) the commencement by it of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by it to the entry of an order for relief in an involuntary case under any such law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for it or for any substantial part of its property, or the making by it of any general assignment for the benefit of creditors, or the taking of action by it in furtherance of any of the foregoing.



- 1.45. **ISO** – The State of California Independent System Operator.
- 1.46. **Late Payment Rate** –The Prime Rate plus 3%.
- 1.46.3 **Power**– Electric power and energy, including but not limited to capacity and output.
- 1.46.7 **Power Charges** – Power Charges shall have the meaning set forth in the Rate Agreement.
- 1.47. **Prime Rate** –The rate which Morgan Guaranty Trust Company of New York announces from time to time in New York, New York as its prime lending rate, the Prime Rate to change when and as such prime lending rate changes. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer.
- 1.47.5 **Rate Agreement** – the Rate Agreement between DWR and the Commission adopted by the Commission on February 21, 2002 pursuant to Commission Decision 02-02-051, as the same may be amended and adopted by subsequent Commission proceedings.
- 1.48. **Recipient** – Recipient shall have the meaning set forth in Section 6.1(c).
- 1.49. **Recurring Fees** – Recurring Fees shall have the meaning set forth in Section 7.1.
- 1.50. **Remittance** – A payment by Utility to DWR or its Assign(s) in accordance with this Agreement.
- 1.51. **Scheduled Energy** – DWR Power set forth on schedules submitted by DWR to Utility and the ISO in the Day-Ahead Market and Hour-Ahead Market that, pursuant to Section 2.2(b), DWR will provide to Bundled Customers.
- 1.52. **Scheduling Coordinator – to – Scheduling Coordinator Trade** – Schedules for energy transferred from one ISO scheduling coordinator to another. Such schedules are deemed delivered by the ISO upon publication by the ISO of the final schedules.
- 1.53. **Services** – Billing Services, metering services and meter reading services which may be performed by Utility and related collection, remittance and other services provided by Utility for DWR pursuant to this Agreement.
- 1.54. **State** – The State of California.
- 1.55. **Set-Up Fee** – Set-Up Fee shall have the meaning set forth in Section 7.1.

- 1.56. **Term** – The term of this Agreement as set forth in Section 5.1.
- 1.57. **20/20 Program** – 20/20 Program shall have the meaning set forth in Section 4.3.
- 1.58. **Utility Charges** – Charges incurred by a Customer for electricity-related services and products provided by Utility to the Customer, as approved by the Commission and, as applicable, the Federal Energy Regulatory Commission or other Governmental Authority (including, but not limited to, any Competition Transition Charges or Fixed Transition Amount Charges owing to Utility or its affiliates, as those terms are defined under the California Public Utilities Code). Utility Charges shall not include DWR Charges or charges for retail natural gas sales.
- 1.59. **Utility-Provided Electric Power** – Utility-Provided Electric Power means Power supplied to Bundled Customers which is not DWR Power.

The terms used in the attachments, but not specifically defined herein or elsewhere in this Agreement, are understood by the Parties to have their ordinary meanings.

## **Section 2. Energy Delivery and Ownership.**

### **2.1. Delivery of Power.**

Pursuant to the Act and Applicable Commission Orders, Utility covenants and agrees to transmit, or provide for the transmission of, and distribute DWR Power to Bundled Customers over Utility's transmission and distribution system in accordance with Applicable Law, Applicable Tariffs and any other agreements between the Parties.

### **2.2. Data and Information Communications Procedures.**

- (a) Utility shall estimate Bundled Customer usage and Utility-retained generation for a given trade day and shall communicate the net of such estimate to DWR by 7:00 a.m. on the preceding Business Day. In the event that DWR observes a persistent deviation between estimated Bundled Customer usage and actual Bundled Customer usage, or between estimated Utility-retained generation and actual Utility-retained generation, DWR may request Utility to review, and Utility will promptly commence to review, Utility's forecast methodology and will report the results of such review to DWR; provided, however, that Utility shall have no obligation to correct or minimize such deviation except as provided in Attachment H hereto.
- (b) DWR shall send to Utility in writing each day the Scheduling Coordinator-to-Scheduling Coordinator Trade between DWR and Utility. This information shall be delivered no later than 9:30 a.m. for trades in the Day-Ahead Market for the following day, and no later than two hours and twenty minutes prior to

the start of the delivery hour for trades in the Hour-Ahead Market. Utility and DWR will separately provide these schedules to the ISO prior to the close of the respective markets. The above deadlines for DWR are set because the ISO Day-Ahead Market currently closes at 10:00 a.m. on the day before delivery and the ISO Hour-Ahead Market currently closes two hours before the delivery hour. If these closing times should change, the deadlines for submission of DWR data to Utility shall change proportionately, which revised deadlines shall be confirmed in writing by DWR and Utility. Upon Utility's request, DWR shall supply information to Utility substantiating to Utility's reasonable satisfaction (i) the total amount of energy purchased by DWR in the Day-Ahead Market and Hour-Ahead Market; and (ii) other such information that may be required for Utility to verify the DWR Charges, or any component thereof, including information regarding the allocation of such energy among Customers and other third parties to the extent so required.

- (c) The basis for remittances of revenues for Power Charges shall be the amounts collected from Bundled Customers for actual DWR Power supplied, as further described in Attachment H. The basis for the remittance of revenues for Bond Charges shall be amounts collected from Customers pursuant to future Applicable Commission Orders implementing such Bond Charges (including, without limitation, the portion of any "exit fee" imposed by the Commission on Customers receiving ESP Power or Power provided by other third parties, which portion constitutes a Bond Charge). If and when ordered by the Commission, the remaining portion of any such exit fee shall be remitted to the Department in a manner reasonably agreed upon by the Parties. All DWR Charges shall be at the applicable Commission-approved rates. Each Party agrees to bring to the other Party's attention any error(s) that are discovered affecting the operation of this Agreement and to negotiate any amendment(s) to this Agreement that is (or are) appropriate to correct such error(s).
- (d) Attachment H hereto includes a procedure for truing up for the differences between estimated DWR Power and Utility-Provided Electric Power that are used in the determination of Power Charge remittances and actual DWR Power and Utility-Provided Electric Power that are reported on ISO settlement statements. The Attachment H true-up procedure operates by modifying the DWR Power quantity for a future day to account for the difference between the estimated and actual quantities of DWR Power for a particular day. This adjustment to DWR Power through the true-up procedure will be reflected in Consolidated Utility Bills.
- (e) All data and information to be exchanged between the Parties in connection with scheduling transactions shall be in the format agreed to by Utility and DWR and shall, except as otherwise provided by this Agreement or Utility Applicable Tariffs, or as may be approved by Utility in its reasonable discretion, be submitted electronically. If a Party receives any information

that is unreadable, or contains data that cannot be processed by the receiving Party's system, or is otherwise damaged, such receiving Party shall inform the sending Party of such problem. Until any such problem is corrected, the receiving Party shall not be responsible for processing information received in this condition. The foregoing notwithstanding, a receiving Party shall not be excused from its obligation to process information if the receiving Party cannot read or otherwise process the information sent by the sending Party as a result of defects, errors, bugs, or viruses in the receiving Party's systems or software or due to negligence or wrongful act(s) or failure(s) to act on the part of the receiving Party's employees, agents, independent contractors, subcontractors or assigns.

**2.3. Ownership of DWR Power, Utility-Provided Electric Power and DWR Revenues.**

- (a) Notwithstanding any other provision herein, and in accordance with the Act and Section 80110 of the California Water Code, Utility and DWR agree that DWR shall retain title to all DWR Power sold by DWR to Bundled Customers. In accordance with the terms hereof, Utility is acting solely as the servicing agent for DWR with respect to Aggregate Power provided to Customers. In accordance with the Act and Section 80104 of the California Water Code, upon the delivery of DWR Power to Bundled Customers, those Bundled Customers shall be deemed to have purchased that Power from DWR, and payment for any such sale shall be a direct obligation of such Bundled Customers to DWR. Notwithstanding any other provision herein, DWR and Utility agree that Utility shall retain title to all Utility-Provided Electric Power supplied by Utility to Bundled Customers.
- (b) DWR Charges shall be the property of DWR for all purposes.

**2.4. Allocation of DWR Power.**

DWR Power will be allocated pursuant to the Act and other Applicable Law and Applicable Tariffs.

**2.5 ISO Charges and Imbalance Energy.** The treatment of Imbalance Energy and the allocation of cost responsibility with respect to certain ISO charges, as between the Parties, shall be governed by the Letter Agreement, dated February 28, 2002, as amended by the Letter Amendment, dated as of March 18, 2002, between Utility and DWR, attached hereto as Attachment I, as the same may be hereafter amended by written agreement of the Parties.

### **Section 3. Billing Services.**

#### **3.1. Provision of Services by Utility.**

- (a) Utility shall provide metering services, meter reading services and Billing Services relating to the delivery of (i) DWR Power that is the basis for a Power Charge and (ii) Aggregate Power that is the basis for a Bond Charge. If billing services are provided by a third party, Utility shall bill any applicable Bond Charges and other DWR Charges to, and collect such charges from, the third party on behalf of DWR, and remit the same to DWR upon collection. Utility-provided metering services, meter reading services and Billing Services shall be provided in accordance with Applicable Commission Orders, Applicable Tariffs and Service Attachment 1 hereto.
- (b) On behalf of DWR, Utility shall (i) follow its customary standards, policies and procedures in performing its duties hereunder and (ii) perform its duties hereunder using the same degree of care and diligence that Utility exercises for its own account.

#### **3.2. Reserved.**

#### **3.3. Modification of Billing and Metering Systems.**

Utility reserves the right to modify and replace its billing and metering systems, subject to the requirements of Applicable Law, if any. However, to the extent that such modifications and replacements materially interrupt Services provided by Utility to DWR, Utility shall provide to DWR, as soon as reasonably practicable, prior written notice of any such changes, including, but not limited to, such changes as are required by Applicable Law or Applicable Commission Order(s). Moreover, to the extent any such modifications would affect the collection of DWR Charges in a manner which is different from the collection of Utility Charges, Utility shall obtain DWR's prior written consent to such modifications, which consent shall not be unreasonably withheld or delayed.

#### **3.4. Customer Inquiries.**

So long as Consolidated Utility Billing Service is in place, Utility agrees to address all Customer inquiries regarding the DWR Charges. DWR agrees to provide all necessary information to Utility in order to permit Utility to respond to all Customer inquiries on a timely basis. In extraordinary circumstances, Utility will refer Customer inquiries to DWR in a manner to be agreed upon by the Parties. In the event that either (i) DWR's failure to provide all such necessary information to Utility, (ii) DWR's provision of inaccurate information or (iii) DWR's failure to handle Customer inquiries referred to it by Utility in extraordinary circumstances in

the manner agreed upon by the Parties results in Utility's non-compliance with its obligations under this Section 3.4, such non-compliance will not constitute a material breach of this Agreement and will not give DWR the right to terminate this Agreement.

#### **Section 4. DWR Charges; Remittance of DWR Revenues.**

##### **4.1. DWR Charges.**

DWR Revenues required to be remitted to DWR under this Agreement shall be based upon DWR Charges in effect from time to time pursuant to Applicable Law.

##### **4.2. Remittance of DWR Revenues.**

Payment of Imbalance Energy remittances and certain ISO charges shall be made in accordance with the Letter Agreement, as amended, attached hereto as Attachment I. As provided below and in Attachment B hereto, all DWR Revenues shall be held by Utility in trust for DWR (whether or not held together with other monies) and shall be remitted to DWR when due hereunder.

- (a) Within one Business Day after the Effective Date, Utility shall determine the Daily Remittance Amount in the manner set forth in Attachment B hereto (the "Daily Remittance Amount"). On the day of such determination (the "Initial Remittance Date"), Utility shall remit to DWR or its Assign(s) the Daily Remittance Amount, if any, for each day from the Effective Date up to and including the Initial Remittance Date. On each subsequent Business Day during the remainder of the Term, Utility shall determine and remit to DWR or its Assign(s) the Daily Remittance Amount for such Business Day. If the Utility determines that it has remitted amounts to DWR in error, Utility may provide notice of such event to DWR (accompanied by an explanation of the facts surrounding such erroneous deposit), and DWR shall review such notice and information as soon as practicable and promptly repay such funds if and to the extent DWR agrees with Utility, such agreement not to be unreasonably withheld or delayed.
- (b) Each Remittance shall be accompanied by a written report substantially in the form of that set forth in Attachment C hereto (the "Daily Remittance Report"). Utility will not be required at any time to advance or pay any of its own funds in the fulfillment of its responsibilities hereunder with respect to DWR Charges, except to the extent provided otherwise in the Attachments hereto.
- (c) Utility, from time to time, will make adjustments regarding amounts remitted as described in Attachment B hereto. In addition, monthly reconciliation reports, as described in Attachment C hereto, shall be filed with DWR by Utility.

- (d) Except as expressly provided in this Agreement (including the Attachments hereto), Utility shall not deduct from amounts due to DWR hereunder any amounts owing by DWR to Utility which relate to arrangements within or outside the scope of this Agreement, or any other amounts, and Utility expressly waives any right to do so. The foregoing shall not limit Utility's rights to seek any other remedies permitted under other arrangements with DWR.
- (e) The Parties recognize that prior to the Effective Date, Utility has been remitting DWR Charges to DWR based upon the interim remittance methodologies described in Decision 01-03-081, adopted by the Commission on March 27, 2001, and Decision 01-05-064, adopted by the Commission on May 15, 2001 (collectively the "Interim Remittance Methodologies"). Utility shall reconcile the amounts remitted pursuant to the Interim Remittance Methodologies at the time and in the manner set forth in Attachment B hereto.
- (f) The percentage of bundled usage which is DWR Power shall be determined pursuant to Attachment H.

#### **4.3. 20/20 Program.**

To the extent that the program established in the California Governor's Executive Order D-30-01, dated March 13, 2001, and Executive Order D-33-01, dated April 26, 2001, as the foregoing orders may be amended, supplemented, extended or otherwise modified (the "20/20 Program"), obligates DWR to make payments or extend credits to Customers or other third parties under such program, Remittances to DWR may be reduced by such payments to the extent of DWR's responsibility as required by Applicable Law and Applicable Tariffs. Utility's reasonable initial implementation and recurring administrative costs associated with such program shall be paid by DWR in the same manner and at the same times as Utility's Set-Up Fee and Recurring Fees, respectively, as described in Sections 7.2 and 7.3 below. Additionally, Utility will invoice DWR for any other costs incurred by Utility under such program, and DWR shall pay such invoices as Additional Charges, in the manner contemplated in Section 7 below. The method for calculating reduced Remittances to DWR under this Section 4.3, as well as Utility's implementation and administration costs, shall be as set forth in Attachment F hereto.

### **Section 5. Term and Termination; Events of Default.**

#### **5.1. Term.**

The term of this Agreement (the "Term") shall commence on the Effective Date and shall terminate on the earlier of (a) 180 calendar days after the last date DWR Charges are imposed on Customers, or (b) the earlier termination of this Agreement pursuant to this Section 5.

## **5.2. Events of Default by Utility.**

The following events shall constitute “Events of Default” by Utility under this Agreement:

- (a) any failure by Utility to remit to DWR or its Assign(s) any required Remittance in the manner and at the time specified in this Agreement (except to the extent otherwise allowed under Sections 4.3 and 7.2) that continues unremedied for three Business Days after the earlier of the day Utility receives written notice thereof from DWR or the day the responsible manager at Utility first has actual knowledge of such failure; or
- (b) any failure by Utility to duly observe or perform in any material respect any other covenant or agreement of Utility set forth in this Agreement, which failure (i) materially and adversely affects the interests or rights of DWR or its Assign(s), and (ii) continues unremedied for a period of 60 calendar days after written notice of such failure has been given to Utility by DWR or its Assign(s); or
- (c) any representation or warranty made by Utility in this Agreement proves to have been incorrect when made, which has a material adverse effect on DWR or its Assign(s) and which material adverse effect continues unremedied for a period of 60 calendar days after the date on which written notice thereof has been given to Utility by DWR or its Assign(s).

## **5.3. Consequences of Utility Events of Default.**

- (a) Upon any Event of Default by Utility, DWR may, in addition to exercising any other remedies available under this Agreement or under Applicable Law, (i) terminate this Agreement in whole or in part (including Service Attachment 1); and (ii) apply to the Commission and, if necessary, any court of competent jurisdiction for sequestration and payment to DWR or its Assign(s) of DWR Revenues. Remittances not made to DWR by Utility on the date due (except to the extent Remittances were not made by operation of Sections 4.3, 7.2, 14.4 or Attachment B hereto) shall bear interest at the Prime Rate from the first day after the due date until the third Business Day after the due date, and at the Late Payment Rate thereafter until paid.
- (b) Reserved.

## **5.4. Defaults by DWR.**

DWR shall be in default under this Agreement upon:



- (a) subject to subsections (b), (c), (d) and (e) below, DWR's failure to cure its material breach of any provision of this Agreement within 60 calendar days after receiving written notice thereof from Utility;
- (b) Except for amounts to which DWR has objected in writing pursuant to Section 7.2, DWR's failure to pay to Utility the Set-Up Fee or Recurring Fees within three Business Days after the date they are due hereunder, as provided in Section 7;
- (c) Except for amounts to which DWR has objected in writing pursuant to Section 7.2, DWR's failure to pay to Utility the initial implementation and recurring administrative costs associated with Utility's implementation of the 20/20 Program, as provided in Section 4.3;
- (d) Except for amounts to which DWR has objected in writing pursuant to Section 7.2, DWR's failure to fulfill any other monetary obligation hereunder within 15 calendar days after receiving written notice from Utility that such obligation is past due; or
- (e) DWR's failure to fulfill its obligations under Section 2.2 within 15 calendar days after receiving written notice thereof from Utility.

Upon any default by DWR under this Section 5.4, Utility may exercise any remedies available under this Agreement or under Applicable Law, provided that Utility shall have no right to terminate this Agreement either in whole or in part (including Service Attachment 1) or any obligation hereunder. Except for amounts to which DWR has objected in writing pursuant to Section 7.2 and which are determined not to be owed, any Set-Up Fee or Recurring Fees, or any initial implementation and recurring administrative costs associated with Utility's implementation of the 20/20 Program, as provided in Section 4.3, which are not paid to Utility on the date due shall bear interest at the Prime Rate from the first day after the due date until the third Business Day after the date they are required to be made hereunder, and at the Late Payment Rate thereafter until paid. Except for amounts to which DWR has objected in writing pursuant to Section 7.2 and which are determined not to be owed, any other monetary obligation payable to Utility by DWR shall bear interest at the Prime Rate from the date due until 15 days after receiving written notice from Utility that such amount is overdue, and thereafter at the Late Payment Rate. When and to the extent that any amounts to which DWR has objected in writing pursuant to Section 7.2 are determined to be owing, such amounts shall bear interest from the due date at the rates described above for the applicable category of obligation.

#### **5.5. Survival of Payment Obligations.**

Upon termination of this Agreement, each Party shall remain liable to the other Party for all amounts owing under this Agreement. Utility shall continue to collect and

remit, pursuant to the terms of this Agreement and Attachment B hereto, any DWR Charges billed to Customers before the effective date of termination, except as provided in Attachment B.

## **Section 6. Confidentiality.**

### **6.1. Proprietary Information.**

- (a) Nothing in this Agreement shall affect Utility's obligations to observe any Applicable Law prohibiting the disclosure of Confidential Information regarding its Customers.
- (b) Nothing in this Agreement, and in particular nothing in Sections 6.1(e)(x) through 6.1(e)(z) of this Agreement, shall affect the rights of the Commission to obtain from Utility, pursuant to Applicable Law, information requested by the Commission, including Confidential Information provided by DWR to Utility. Applicable Law, and not this Agreement, will govern what information the Commission may disclose to third parties, subject to any confidentiality agreement between DWR and the Commission.
- (c) The Parties acknowledge that each Party may acquire information and material that is the other Party's confidential, proprietary or trade secret information. As used herein, "Confidential Information" means any and all technical, commercial, financial and customer information disclosed by one Party to the other (or obtained from one Party's inspection of the other Party's records or documents), including any patents, patent applications, copyrights, trade secrets and proprietary information, techniques, sketches, drawings, maps, reports, specifications, designs, records, data, models, inventions, know-how, processes, apparatus, equipment, algorithms, software programs, software source documents, object code, source code, and information related to the current, future and proposed products and services of each of the Parties, and includes, without limitation, the Parties' respective information concerning research, experimental work, development, design details and specifications, engineering, financial information, procurement requirements, purchasing, manufacturing, business forecasts, sales and merchandising, and marketing plans and information. In all cases, Confidential Information includes proprietary or confidential information of any third party disclosing such information to either Party in the course of such third party's business or relationship with such Party. Utility's Confidential Information also includes any and all lists of Customers, and any and all information about Customers, both individually and aggregated, including but not limited to Customers' names, street addresses of Customer residences and/or facilities, email addresses, identification numbers, Utility account numbers and passwords, payment histories, energy usage, rate schedule history, allocation of energy uses among Customer residences and/or facilities, and usage of DWR Power.

All Confidential Information disclosed by the disclosing Party ("Discloser") will be considered Confidential Information by the receiving Party ("Recipient") if identified as confidential and received from Discloser.

- (d) Each Party agrees to take all steps reasonably necessary to hold in trust and confidence the other Party's Confidential Information. Without limiting the generality of the immediately preceding sentence, each Party agrees (i) to hold the other Party's Confidential Information in strict confidence, not to disclose it to third parties or to use it in any way, commercially or otherwise, other than as permitted under this Agreement; and (ii) to limit the disclosure of the Confidential Information to those of its employees, agents or directly related subcontractors with a need to know who have been advised of the confidential nature thereof and who have acknowledged their express obligation to maintain such confidentiality.
- (e) The foregoing two paragraphs will not apply to any item of Confidential Information if: (i) it has been published or is otherwise readily available to the public other than by a breach of this Agreement; (ii) it has been rightfully received by Recipient from a third party without breach of confidentiality obligations of such third party and outside the context of the provision of Services under this Agreement; (iii) it has been independently developed by Recipient personnel having no access to the Confidential Information; or (iv) it was known to Recipient prior to its first receipt from Discloser. In addition, Recipient may disclose Confidential Information if and to the extent required by law or a Governmental Authority, provided that (x) Recipient shall give Discloser a reasonable opportunity to review and object to the disclosure of such Confidential Information, (y) Discloser may seek a protective order or confidential treatment of such Confidential Information, and (z) Recipient shall make commercially reasonable efforts to cooperate with Discloser in seeking such protective order or confidential treatment. Discloser shall pay Recipient its reasonable costs of cooperating.

## **6.2. No License.**

Nothing contained in this Agreement shall be construed as granting to a Party a license, either express or implied, under any patent, copyright, trademark, service mark, trade dress or other intellectual property right, or to any Confidential Information now or hereafter owned, obtained, controlled by, or which is or may be licensable by, the other Party.

## **6.3. Survival of Provisions.**

The provisions of this Section 6 shall survive the termination of this Agreement.

## **Section 7. Payment of Fees and Charges.**

### **7.1. Utility Fees.**

DWR will pay to Utility a fee, calculated in accordance with Attachment G hereto (the "Set-Up Fee"), in order to cover Utility's costs of establishing the procedures, systems, and mechanisms necessary to perform Services. In addition, DWR also agrees to pay to Utility an annual fee, calculated in accordance with Attachment G hereto, payable monthly in arrears as provided in Section 7.2 hereof (the "Recurring Fees") for Services rendered pursuant to Section 3.1, Section 3.4 and Service Attachment 1 to this Agreement. Additional fees to cover changes in costs or the costs of other services provided hereunder shall be as set forth in Attachment G, or if not set forth therein, shall be negotiated by the Parties. Except to the extent provided otherwise in subsequent agreements between the Parties and except to the extent otherwise provided under the 20/20 Program, if the Parties are unable to resolve any disputes relating to such additional fees, either Party may, upon giving seven calendar days advance written notice to the other, submit the dispute to the Commission for proposed resolution, in accordance with Applicable Law. Utility acknowledges that the Commission may adjust, with notice to Utility and an opportunity for Utility to be heard, Utility's rates to avoid double recovery of any costs paid by DWR hereunder which have already been included in Utility's rates.

### **7.2. Payment of Utility Fees and Charges.**

The Set-Up Fee shall be due and payable on the Effective Date, and DWR will pay Utility the Set-Up Fee, in the manner provided in Section 7.3 below. After receipt of Utility's invoice 30 days in advance, DWR will pay to Utility its Recurring Fees in monthly installments by the 10th day of each month in the manner provided in Section 7.3 below. Additionally, with respect to all other fees and charges which are expressly identified as owing by DWR to Utility under this Agreement (the "Additional Charges") Utility shall (in paper format or, at DWR's option, electronically) submit to DWR an invoice reflecting such Additional Charges for such calendar month. Any invoiced amount for Recurring Fees or Additional Charges shall be due and payable within three Business Days after presentation, and any invoiced amount and the Set-Up Fee shall be considered past due 30 calendar days after presentation, after which interest shall accrue as provided in Section 7.4. To the extent that any invoiced amounts described in this Section 7.2 are not fully paid within 45 days after presentation, and DWR has not objected to Utility in writing by such date, Utility shall have the right to deduct from any future Remittance(s) the unpaid and overdue amount which is not the subject of any such objection by such date, until such invoice is paid in full or until the dispute over the amount due has been resolved.

### **7.3. Method of Payment.**

- (a) Except as otherwise expressly provided herein, any payment from either Party to the other Party under this Agreement shall be made by ACH or, if ACH is unavailable, then by wire transfer of immediately available funds to the bank account designated by the receiving Party or, if mutually agreed, paid by means of a check or warrant sent to the recipient's address indicated in accordance with Section 14.14 hereof. Where the Parties have made arrangements for a bank or other third party to remit funds from one Party to the other Party, proper identification of the bank or third party, including the account number, shall be furnished in writing. The remitting Party shall reasonably cooperate in correcting any bank or other third party errors and shall not be relieved of its payment responsibilities because of such errors.
- (b) Except as expressly provided otherwise herein or under any Applicable Law, Utility shall be required to pay all expenses incurred by it in connection with its activities under this Agreement (including any fees to and disbursements by accountants, counsel, or any other person, any taxes, fees, surcharges or levies imposed on Utility, and any expenses incurred in connection with reports to be provided hereunder) out of the compensation paid to it pursuant to this Section 7, and Utility shall not be entitled to any extra payment or reimbursement therefor. Notwithstanding anything to the contrary above, if and to the extent any additional taxes (excluding taxes on Utility's income), fees or charges are imposed on Utility due solely to Utility's performance of Services hereunder with respect to DWR Charges (such as franchise fees or taxes on DWR Power, the State of California electric energy surcharge, local utility user taxes, or Commission fees), to the extent these taxes, fees, or charges are not already included in Utility's rates and Utility has not been reimbursed therefor and is not authorized to seek reimbursement from Customers therefor, DWR shall reimburse Utility therefor as "Additional Charges" in accordance with Section 7.2.

### **7.4. Interest**

Except as provided in Sections 5.3 or 5.4, any Delinquent Payment under this Agreement (whether or not a regularly scheduled payment) shall bear interest at the Late Payment Rate.

## **Section 8. Records; Audit Rights; Annual Certification.**

### **8.1. Records.**

Utility shall maintain accurate records and accounts relating to DWR Charges (including separate accounting of Bond Charges and Power Charges) in sufficient detail to permit recordation of Bond Charges and Power Charges billed to Customers

and DWR Revenues from Bond Charges and Power Charges, respectively, remitted by Utility to DWR. Utility shall provide to DWR and its Assign(s) access to such records. Access shall be afforded without charge, upon reasonable request made pursuant to Section 8.2. Access shall be afforded only during Business Hours and in such a manner so as not to interfere unreasonably with Utility's normal operations. Utility shall not treat DWR Revenues as income or assets of the Utility or any affiliate for any tax, financial reporting or regulatory purposes, and the financial books or records of Utility and affiliates shall be maintained in a manner consistent with the absolute ownership of DWR Revenues by DWR and Utility's holding of DWR Revenues in trust for DWR (whether or not held together with other monies).

## **8.2. Audit Rights.**

- (a) Upon 30 calendar days' prior written notice, DWR may request an audit, conducted by DWR or its agents (at DWR's expense), of Utility's records and procedures, which shall be limited to records and procedures containing information bearing upon: (i) DWR Charges being billed to Customers by Utility (and Customer payments of DWR Charges); (ii) fees to Utility for Services provided by Utility pursuant to this Agreement; (iii) Utility's performance of its obligations under this Agreement; (iv) amount of Aggregate Power that is the basis for DWR Charges pursuant hereto or Applicable Law; (v) projection or calculation of DWR's revenue requirements as described in Sections 80110 and 80134 of the California Water Code from time to time; and (vi) such other matters as may be permitted by Applicable Commission Orders, Applicable Tariffs or as DWR or its Assign(s) may reasonably request. The audit shall be conducted during Business Hours without interference with Utility's normal operations, and in compliance with Utility's security procedures.
- (b) As provided in the Act, the State of California Bureau of State Audits (the "Bureau") shall conduct a financial and performance audit of DWR's implementation of Division 27 (commencing with Section 80000) of the California Water Code, such audit to be completed prior to December 31, 2001, and the Bureau shall issue a final report on or before March 31, 2003. In addition, as provided in Section 8546.7 of the California Government Code, Utility agrees that, pursuant to this Section 8.2, DWR or the State of California Department of General Services, the Bureau, or their designated representative ("DWR's Agent") shall have the right to review and to copy (at DWR's expense) any non-confidential records and supporting documentation pertaining to the performance of this Agreement and to conduct an on-site review of any Confidential Information pursuant to Sections 8.3 and 8.8 hereof. Utility agrees to maintain such records for such possible audit for three years after final Remittance to DWR. Utility agrees to allow such auditor(s) access to such records during Business Hours and to allow interviews of any employees who might reasonably have information related

to such records. Further, Utility agrees to include a similar right for DWR or DWR's Agent to audit records and interview staff in any contract between Utility and a subcontractor related to performance of this Agreement.

### **8.3. Confidentiality.**

Materials reviewed by either Party or its agents in the course of an audit may contain Confidential Information subject to Section 6 above. The use of all materials provided to DWR or Utility or their agents, as the case may be pursuant to this Section 8, shall comply with the provisions in Section 6 and shall be limited to use in conjunction with the conduct of the audit and preparation of a report for appropriate distribution of the results of the audit consistent with Applicable Law.

### **8.4. Annual Reports.**

At least annually, Utility shall cause a firm of independent certified public accountants (which may provide other services to Utility) to prepare, and Utility will deliver to DWR and its Assign(s), a report addressed to Utility (which may be included as part of Utility's customary auditing activities), for the information and use of DWR, to the effect that such firm has performed certain procedures (the scope of which shall be agreed upon with DWR) in connection with Utility's compliance with its obligations under this Agreement during the preceding year, identifying the results of such procedures and including any exceptions noted. Utility will deliver a copy of each report prepared hereunder to the Commission (at the address specified in section 14.14) at the same time it delivers each such report to DWR.

### **8.5. Annual Certifications.**

At least annually, Utility will deliver to DWR, with a copy to the Commission, a certificate of an authorized officer certifying that to the best of such officer's knowledge, after a review of Utility's performance under this Agreement, Utility has fulfilled its obligations under this Agreement in all material respects and is in compliance herewith in all material respects.

### **8.6. Additional Applicable Laws.**

Each Party shall make an effort to promptly notify the other Party in writing to the extent such Party becomes aware of any new Applicable Laws or changes (or proposed changes) in Applicable Tariffs hereafter enacted, adopted or promulgated that may have a material adverse effect on either Party's ability to perform its duties under this Agreement. A Party's failure to so notify the other Party pursuant to this Section 8.6 will not constitute a material breach of this Agreement, and will not give rise to any right to terminate this Agreement or cause either Party to incur any liability to the other Party or any third party.

#### **8.7. Other Information.**

Upon the reasonable request of DWR or its Assign(s), Utility shall provide to the Commission and to DWR or its Assign(s) any public financial information in respect of the Utility applicable to Services provided by Utility under this Agreement, or any material information regarding the sale of DWR Power, to the extent such information is reasonably available to Utility, which (i) is reasonably necessary and permitted by Applicable Law to monitor the performance by Utility hereunder, or (ii) otherwise relates to the exercise of DWR's rights or the discharge of DWR's duties under this Agreement or any Applicable Law. In particular, but without limiting the foregoing, Utility shall provide to DWR, with a copy to the Commission, any such information that is necessary or useful to calculate DWR's revenue requirements (as described in Sections 80110 and 80134 of the California Water Code) or DWR Charges.

#### **8.8. Customer Confidentiality.**

Nothing in this Section 8 shall affect the obligation of Utility to observe any Applicable Law prohibiting disclosure of information regarding Customers, and the failure of Utility to provide access to such information as a result of such obligation shall not constitute a breach of this Section 8 or this Agreement.

### **Section 9. Representations and Warranties.**

- (a) Each person executing this Agreement for the respective Parties expressly represents and warrants that he or she has authority to bind the Party on whose behalf he or she has executed this Agreement.
- (b) Each Party represents and warrants that it has the full power and authority to execute and deliver this Agreement and to perform its terms, that execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate or other action by such Party, and that this Agreement constitutes such Party's legal, valid and binding obligation, enforceable against such Party in accordance with its terms.

### **Section 10. Amendment Upon Changed Circumstances.**

- (a) The Parties acknowledge that compliance with any Commission decision, legislative action or other governmental action (whether issued before or after the Effective Date of this Agreement) affecting the operation of this Agreement, including but not limited to (i) dissolution of the ISO, (ii) changes in the ISO market structure, (iii) a decision regarding the "Fixed Department of Water Resources Set-Aside" as such term is defined in Section 360.5 of the California Public Utilities Code, (iv) the establishment of other Governmental Programs, (v) the establishment or implementation of a Bond Charge or



related changes ordered by the Commission, or (vi) the imposition or modification of an "exit fee" or similar DWR Charge upon customers of Electric Service Providers or upon any other third party, may require that amendment(s) be made to this Agreement. The Parties therefore agree that if either Party reasonably determines that such a decision or action would materially affect the Services to be provided hereunder or the reasonable costs thereof, then upon the issuance of such decision or the approval of such action (unless and until it is stayed), the Parties will negotiate the amendment(s) to this Agreement that is (or are) appropriate in order to effectuate the required changes in Services to be provided or the reimbursement thereof. Without limiting the generality of the foregoing, the Parties agree to engage in good faith negotiations to amend Attachments B, C and G to implement the specific changes to this Agreement that are necessary or convenient to carry out any of the purposes generally described in paragraph H of the recitals hereof, including provision for the reimbursement of the reasonable costs of any additional Services to be provided hereunder, as and when the nature of the required changes becomes apparent by action of the Commission or other Governmental Authority. Notwithstanding Section 5.4, if the Parties are unable to reach agreement on any amendments to this Agreement pursuant to this Section within 60 days after the issuance of such decision or approval of such action, either Party may, in the exercise of its sole discretion, submit the disagreement to the Commission for proposed resolution, in accordance with Applicable Law. Nothing herein shall preclude either Party from challenging the decision or action which such Party deems may adversely affect its interests in any appropriate forum of the Party's choosing.

- (b) The Parties acknowledge that this Agreement has not been reviewed by the rating agencies which are rating DWR's bonds. The Parties agree that, if the rating agencies request changes to this Agreement which the Parties reasonably determine are necessary or appropriate, the Parties will negotiate to amend this Agreement to accommodate the rating agency requests and will cooperate in obtaining any required approvals of the Commission or other entities for such amendments.
- (c) The Parties acknowledge that this Agreement shall be modified to implement the California Governor's Executive Order D-39-01, dated June 9, 2001, concerning load curtailment programs. Therefore, the Parties agree to negotiate an amendment to this Agreement and to cooperate in obtaining any required approvals of the Commission or other entity for such amendment.

## **Section 11. Data Retention.**

All data associated with the provision and receipt of services pursuant to this Agreement shall be maintained for the greater of (a) the retention time required by

Applicable Law or Applicable Tariffs for maintaining such information, or (b) three years.

## **Section 12. Indemnity.**

Utility and, to the extent allowed under Applicable Law, DWR (each, the "Indemnifying Party") shall defend, indemnify, and hold the other Party, together with its affiliates, and each of their respective officers, agents, employees, assigns and successors in interest (collectively, the "Indemnified Party"), harmless from and against all claims, losses, demands, actions and expenses, damages and liabilities of any nature whatsoever (collectively "Claims") with respect to the acts or omissions of the Indemnifying Party or its officers, agents, contractors and employees or with respect to Indemnifying Party's performance of its obligations under this Agreement. Notwithstanding the above, the provisions of this Section 12 shall not apply to any Claims to the extent they involve the negligence, gross negligence, recklessness, willful misconduct or breach of this Agreement by either Indemnified Party. Each Indemnified Party shall bear its own attorneys' fees and costs under this Section 12. The Indemnifying Party's obligations under this Section 12 shall survive termination of this Agreement. This Section 12 notwithstanding, DWR makes no representation that it has the express or implied legal authority to perform any obligation under this Section 12.

## **Section 13. Limitations on Liability.**

### **13.1. Consequential Damages.**

In no event will either Party be liable to the other Party for any indirect, special, exemplary, incidental, punitive, or consequential damages under any theory. Nothing in this Section 13.1 shall limit either Party's rights as provided in Section 12 above.

### **13.2. Limited Obligations of DWR and Utility.**

DWR agrees that it will be liable for all amounts owing to Utility for the Services hereunder, irrespective of (a) any Customer's failure to make full and timely payments owed for DWR Charges, or (b) Utility's rights under Sections 4.3 and 7.2 to deduct certain amounts in calculating Remittances owing by Utility to DWR under Attachment B. Utility will not be required at any time to advance or pay any of its own funds in the fulfillment of its responsibilities hereunder with respect to DWR Charges, except to the extent provided otherwise in Attachments B and H hereto. Any amounts payable by DWR under this Agreement shall be payable solely from moneys on deposit in the Department of Water Resources Electric Power Fund established pursuant to Section 80200 of the California Water Code (the "Fund"). Neither the full faith and credit nor the taxing power of the State of California are or may be pledged for any payment under this Agreement. Revenues and assets of the State Water Resources Development System are not available to make payments

under this Agreement. If moneys on deposit in the Fund are insufficient to pay all amounts payable by DWR under this Agreement, or if DWR has reason to believe such funds may become insufficient to pay all amounts payable by DWR under this Agreement, DWR shall diligently pursue an increase to its revenue requirements as permitted under the Act from the appropriate Governmental Authority as soon as practicable.

## **Section 14. Miscellaneous.**

### **14.1. Independent Contractor.**

Utility and its agents and employees shall perform their obligations under this Agreement as independent contractors and not as officers or employees of the State of California. Notwithstanding the above, Utility shall act as the agent of DWR in billing and collecting DWR Charges hereunder, as provided in the Act and Section 80106 of the California Water Code.

### **14.2. Remedies Cumulative.**

Except as otherwise provided in this Agreement, all rights of termination, cancellation, or other remedies in this Agreement are cumulative. Use of any remedy shall not preclude any other remedy available under this Agreement.

### **14.3. Assignment.**

- (a) Except as provided in paragraphs (b), (c) and (d) below, neither Party shall assign or otherwise dispose of this Agreement, its right, title or interest herein or any part hereof to any entity, without the prior written consent of the other Party. No assignment of this Agreement shall relieve the assigning Party of any of its obligations under this Agreement until such obligations have been assumed by the assignee. When duly assigned in accordance with this Section 14.3(a) and when accepted by the assignee, this Agreement shall be binding upon and shall inure to the benefit of the assignee. Any assignment in violation of this Section 14.3(a) shall be void.
- (b) Notwithstanding the provisions of this Section 14.3, Utility may delegate its duties under this Agreement to an agent or subcontractor, provided that Utility shall remain fully responsible for performance of any delegated duties and shall provide DWR with 30 calendar days' prior written notice of any such delegation, and further provided that such delegation does not, in the sole discretion of DWR, materially adversely affect DWR's or its Assigns' interests hereunder.
- (c) Utility acknowledges and agrees that DWR may assign or pledge its rights to receive performance (including payment of Remittances) hereunder to a

trustee or another party ("Assign(s)") in order to secure DWR's obligations under its bonds (as that term is defined in the Act), and any such Assign shall be a third party beneficiary of this Agreement; provided, however, that this authority to assign or pledge rights to receive performance hereunder shall in no event extend to any person or entity that sells Power or other goods or services to DWR. Notwithstanding the immediately preceding sentence, DWR may assign or pledge its rights to receive Remittances hereunder to another party in order to secure DWR's other obligations under the Act.

- (d) Any person (i) into which Utility may be merged or consolidated, (ii) which may result from any merger or consolidation to which Utility shall be a party or (iii) which may succeed to the properties and assets of Utility substantially as a whole, which person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Utility hereunder, shall be the successor to Utility under this Agreement without further act on the part of any of the Parties to this Agreement; provided, however, that Utility shall have delivered to DWR and its Assign(s) an opinion of counsel reasonably acceptable to DWR stating that such consolidation, merger or succession and such agreement of assumption complies with this Section 14.3(d) and that all of Utility's obligations hereunder have been validly assumed and are binding on any such successor or assign.
- (e) Notwithstanding anything to the contrary herein, DWR's rights and obligations hereunder shall be transferred, without any action or consent of either Party hereto, to any entity created by the State legislature which is required under Applicable Law to assume the rights and obligations of DWR under Division 27 of the California Water Code.

#### **14.4. Force Majeure.**

Neither Party shall be liable for any delay or failure in performance of any part of this Agreement (including the obligation to remit money at the times specified herein) from any cause beyond its reasonable control, including but not limited to, unusually severe weather, flood, fire, lightning, epidemic, quarantine restriction, war, sabotage, act of a public enemy, earthquake, insurrection, riot, civil disturbance, strike, restraint by court order or Government Authority, or any combination of these causes, which by the exercise of due diligence and foresight such Party could not reasonably have been expected to avoid and which by the exercise of due diligence is unable to overcome. An Insolvency Event shall not constitute *force majeure*. Notwithstanding anything to the contrary above, each Party's obligation to pay money hereunder shall continue to the extent such Party is able to make such payment, and any amounts owed by Utility hereunder and received by Utility shall be held in trust for DWR (whether or not held together with other monies) and remitted to DWR as soon as

reasonably practicable. Any amounts paid or remitted pursuant to this Section 14.4 shall not bear interest which would otherwise accrue under Section 7.

**14.5. Severability.**

In the event that any one or more of the provisions of this Agreement shall for any reason be held to be unenforceable in any respect under Applicable Law, such unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such unenforceable provision or provisions had never been contained herein.

**14.6. Third Party Beneficiaries.**

The provisions of this Agreement are exclusively for the benefit of the Parties and any permitted assignee of either Party.

**14.7. Governing Law.**

This Agreement shall be interpreted, governed and construed under the laws of the State of California as if executed and performed wholly within the State of California.

**14.8. Multiple Counterparts.**

This Agreement may be executed in multiple counterparts, each of which shall be an original.

**14.9. Section Headings.**

Section and paragraph headings appearing in this Agreement are inserted for convenience only and shall not be construed as interpretations of text.

**14.10. Entire Agreement; Applicable Law.**

- (a) This Agreement, including all attachments and agreements contemplated herein, contains the entire agreement and understanding between the Parties as to the subject matter of this Agreement, and merges and supersedes all prior oral or written agreements, commitments, representations and discussions between the Parties or made to third parties regarding the subject matter of this Agreement, except that this Agreement and the Parties' obligations hereunder shall be subject in all cases to the provisions of Applicable Law, and except that this Agreement shall have no effect on the terms of any agreement between DWR and Utility, as modified from time to time after the Execution Date hereof, referenced in Attachment E hereto. Furthermore, no default under any such other agreement between the Parties shall constitute a default hereunder, and each party hereby waives any right to set off any amounts

owing to it under any such other agreement against any amounts owing hereunder.

- (b) Should a conflict exist between the provisions contained in this Agreement (including the attachments hereto) and either Applicable Law or the 20/20 Program, the provisions of Applicable Law or the 20/20 Program, as the case may be, shall govern. The General Terms and Conditions contained in Attachment D are hereby incorporated by reference. In the event of a conflict between the provisions of this Agreement and any attachment hereto (including Service Attachment 1), then the provisions of the attachment shall govern. Nothing in this subsection (b) shall relieve the Parties from complying with their obligations under Section 10 to make amendments to this Agreement to reflect changed circumstances.

#### **14.11. Amendments.**

No amendment, modification, or supplement to this Agreement shall be effective unless it is in writing and signed by the authorized representatives of both Parties and approved as required, and by reference incorporates this Agreement and identifies the specific portions that are amended, modified, or supplemented or indicates that the material is new. No oral understanding or agreement not incorporated in this Agreement is binding on either of the Parties.

#### **14.12. Waivers.**

None of the provisions of this Agreement shall be considered waived by either Party unless the Party against whom such waiver is claimed gives such waiver in writing. The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect. Waiver by either Party of any default by the other Party shall not be deemed a waiver of any other default.

#### **14.13. Construction.**

This Agreement and the provisions contained herein shall not be construed or interpreted for or against any Party because that Party drafted or caused its legal representative to draft any of such provisions.

#### **14.14. Notices and Demands.**

- (a) Except as otherwise provided under this Agreement, all notices, demands, or requests pertaining to this Agreement shall be in writing and shall be deemed to have been given (i) on the date delivered in person, (ii) on the date when

sent by facsimile (with receipt confirmed by telephone by the intended recipient or his or her authorized representative) or electronic transmission (with receipt confirmed telephonically or electronically by the intended recipient or his or her authorized representative) or by special messenger, or (iii) 72 hours following delivery to a United States post office when sent by certified or registered United States mail postage prepaid, and addressed as set forth below:

Utility: Southern California Edison Company  
6020 N. Irwindale Ave., Suite M  
Irwindale, CA 91702

Attn: Contract Manager, DWR Servicing Agreement  
Telephone: (626) 812-7626  
Facsimile: (626) 812-7591  
Email: farhanrr@sce.com

DWR: State of California  
The Resources Agency  
Department of Water Resources  
California Energy Resources Scheduling Division  
3310 El Camino Avenue, Suite 120  
Sacramento, California 95821

Attn: Peter S. Garris  
Deputy Director  
Telephone: (916) 574-2733  
Facsimile: (916) 574-0301  
Email: pgarris@water.ca.gov

- (b) Each Party shall be entitled to specify as its proper address any other address in the United States, or specify any change to the above information, upon written notice to the other Party complying with this Section 14.14.
- (c) Each Party shall designate on Attachment A the person(s) to be contacted with respect to specific operational matters. Each Party shall be entitled to specify any change to such person(s) upon written notice to the other Party complying with this Section 14.14.
- (d) Copies of documents required by this Agreement to be delivered to the Commission shall be delivered in accordance with this Section 14.14 and shall be addressed as set forth below:

California Public Utilities Commission  
505 Van Ness Avenue, 4th Floor  
San Francisco, California 94102

Attn: Paul Clanon  
Energy Division Director  
Telephone: (415) 703-2237  
Facsimile: (415) 703-2200  
Email: pac@cpuc.ca.gov

#### **14.15. Good Faith.**

Each party hereby covenants that it shall perform all its actions, obligations and duties in connection with this Agreement in good faith.

#### **14.16. Approval.**

This Agreement shall be effective when it has been executed by both Parties and approved by the Commission. Except as expressly provided otherwise herein, neither Party may commence performance hereunder until such date. Any delay in the commencement of performance hereunder as a consequence of waiting for such approval(s) shall not be a breach or default under this Agreement.

DWR has determined, pursuant to Section 80014(b) of the California Water Code, that application of certain provisions of the Government Code and Public Contract Code applicable to State contracts, including but not limited to advertising and competitive bidding requirements and prompt payment requirements, would be detrimental to accomplishing the purposes of Division 27 (commencing with Section 80000) of the California Water Code and that such provisions and requirements are therefore not applicable to or incorporated in this Agreement.

The Agreement, as amended by the changes set forth in this First Amended and Restated Servicing Agreement, shall remain in full force and effect. All references to the "Servicing Agreement" or to the "Agreement" in the original Servicing Agreement or in this First Amended and Restated Servicing Agreement shall hereafter mean the First Amended and Restated Servicing Agreement, unless the context requires a different interpretation. The parties intend this First Amended and Restated Servicing Agreement to amend the original Servicing Agreement, and in the event of irreconcilable conflict between the terms of the original Servicing Agreement and this First Amended and Restated Servicing Agreement, the terms of this First Amended and Restated Servicing Agreement shall control. The First Amended and Restated Servicing Agreement shall be effective if and when executed by both Parties and approved by the Commission, and until such time, the original Servicing Agreement shall remain in full force and effect.



#### **14.17. Attachments.**

The following attachments are incorporated in this Agreement:

Service Attachment 1 – Consolidated Utility Billing Services

Attachment A – Representatives and Contacts

Attachment B – Remittance Methodology

Attachment C – Sample Daily and Monthly Reports

Attachment D – General Terms and Conditions

Attachment E – Additional Provisions

Attachment F – Calculation Methodology for Reduced Remittances Pursuant  
to 20/20 Program

Attachment G – Fee Schedule

Attachment H – Adjustments to DWR Charges for Variances in DWR Power  
Delivered

Attachment I – Letter Agreement, dated February 28, 2002, and amended as of  
March 18, 2002

IN WITNESS WHEREOF, the Parties have executed this Servicing Agreement on the date or dates indicated below, to be effective as of the Effective Date.

**CALIFORNIA STATE DEPARTMENT  
OF WATER RESOURCES**

**SOUTHERN CALIFORNIA EDISON  
COMPANY**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

IN WITNESS WHEREOF, the Parties have executed this Servicing Agreement on the date or dates indicated below, to be effective as of the Effective Date.

**CALIFORNIA STATE DEPARTMENT  
OF WATER RESOURCES**

By: 

Name: PETER S. GARRIS

Title: DEPUTY DIRECTOR

Date: 3/29/02

**SOUTHERN CALIFORNIA EDISON  
COMPANY**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

IN WITNESS WHEREOF, the Parties have executed this Servicing Agreement on the date or dates indicated below, to be effective as of the Effective Date.

**CALIFORNIA STATE DEPARTMENT  
OF WATER RESOURCES**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**SOUTHERN CALIFORNIA EDISON  
COMPANY**

By: John R. Fielder

Name: John R. Fielder

Title: Senior Vice President

Date: March 29, 2002

**SERVICE ATTACHMENT 1**  
**SOUTHERN CALIFORNIA EDISON**  
**CONSOLIDATED UTILITY BILLING SERVICES**

<b>Section</b>	<b>Title</b>	<b>Page</b>
Section 1	Establishment and Maintenance of Consolidated Utility Billing .....	SA 1-2
Section 2	Customer Billings Procedures .....	SA 1-2
Section 3	Customer Payments .....	SA 1-4
Section 4	Collection and Nonpayment .....	SA 1-4
Section 5	Taxes and Fees Service.....	SA 1-4
Section 6	Late Payments.....	SA 1-5

**SERVICE ATTACHMENT 1**  
**SOUTHERN CALIFORNIA EDISON**  
**CONSOLIDATED UTILITY BILLING SERVICES**

**Section 1. Establishment and Maintenance of Consolidated Utility Billing.**

Under Consolidated Utility Billing, Utility will include the DWR Charges with its Utility Charges on the Customer's Bill.

**Section 2. Customer Billing Procedures.**

**2.1. Compliance with Metering Standards.**

- (a) Utility shall comply with all metering standards pursuant to Applicable Tariffs.
- (b) Utility shall read and validate data from meters, and edit and estimate such data, under the terms of Applicable Tariffs.
- (c) Utility shall maintain, store and provide current and historical meter and usage data as required by Applicable Tariffs.

**2.2. Presentation of DWR Charges on Consolidated Utility Bill.**

- (a) DWR Charges shall appear on all Consolidated Utility Bills in the manner and at the time required by Applicable Law and Applicable Tariffs.
- (b) Notwithstanding subsection (a) above, the Utility may change the manner of bill presentation of DWR Charges upon the agreement of DWR or at the request of DWR and upon agreement by the Utility. Such agreement by DWR or Utility is not to be unreasonably withheld.
- (c) Notwithstanding subsections (a) and (b) above, no change shall be made to Consolidated Utility Bill formats without the approval of the Commission, if the Commission's approval is required under Applicable Law and Applicable Tariffs.

**2.3. Billing Costs.**

Utility shall be reimbursed for the reasonable costs of the Billing Services it performs for DWR under this Agreement, except for those costs that would have been incurred in providing Billing Services for Customers in the absence of this Agreement. The Parties agree that the Commission has jurisdiction to address any dispute concerning the reasonableness of the costs of Billing Services charged to DWR under this Agreement.

#### **2.4. Adjustments to DWR Charges.**

Utility will resolve all disputes with Customers relating to DWR Charges consistent with Applicable Tariffs and prevailing industry standards. Utility will not waive any late payment fee or modify the terms of payment of any amounts payable by Customer unless such action is consistent with the action taken with respect to its own Charges and Applicable Tariffs. In the event that DWR is entitled by Applicable Law to collect Exit Fees as a component of DWR Charges, this Agreement may be amended to facilitate the calculation and collection of such Exit Fees, and any such amendment shall be submitted to the Commission. For purposes of this Section 2.4, "Exit Fee" means any fee that DWR is entitled, under Applicable Law, to assess and collect from a Customer in the event such Customer ceases purchasing DWR Power.

#### **2.5. Format of Consolidated Utility Bills.**

Utility shall conform to such requirements in respect of the format, structure and text of Consolidated Utility Bills as Applicable Law and Applicable Tariffs shall from time to time prescribe. Utility shall, subject to the requirements of Sections 1 and 2 of this Service Attachment 1, determine the format and text of Consolidated Utility Bills in accordance with its reasonable business judgment, and its policies and practices with respect to its own charges.

#### **2.6. Customer Notices.**

- (a) If DWR Charges are revised at any time, Utility shall, to the extent and in the manner and timeframe required by Applicable Law, provide Customers with notice announcing such revised DWR Charges. Such notice shall, as appropriate, include publication, inserts to or in the text of the bills or on the reverse side of bills delivered to Customers, and/or such other means as Utility may from time to time use to communicate with its customers. The format of any such notice shall be determined by the mutual agreement of the Parties, subject to approval by the Commission's public advisor.
- (b) In addition, at least once each year, to the extent permitted by Applicable Law, Utility shall cause to be prepared and delivered to Customers a notice stating, in effect, that DWR Power and DWR Charges are owned by DWR and not Utility. Such notice shall be included, in a manner and format to be agreed upon by the Parties, subject to approval by the Commission's public advisor, either as an insert to or in the text of the bills or on the reverse side of bills delivered to such Customers or shall be delivered to Customers by electronic means or such other means as Utility may from time to time use to communicate with its Customers.

## **2.7. Delivery.**

Utility shall deliver all Consolidated Utility Bills (i) by United States Mail in such class or classes as are consistent with policies and practices followed by Utility with respect to its own charges or (ii) by any other means, whether electronic or otherwise, that Utility may from time to time use to present its own charges to its customers. In the case of Consolidated Utility Billing Service, Utility shall pay from its own funds all costs of issuance and delivery of Consolidated Utility Bills, including but not limited to printing and postage costs as the same may increase or decrease from time to time, except to the extent that the presentation of DWR Charges and any associated bill messages or notices (including, without limitation, bill inserts and published notices) materially increase the costs in which case such increase in costs shall be borne solely by DWR. To the extent practicable, Utility agrees to give DWR seven calendar days prior written notice of any such additional costs. Any such increased costs shall be invoiced to DWR as Additional Charges and shall be subject to the provisions of Section 7 of the Agreement.

## **Section 3. Customer Payments.**

Utility shall permit Customers to pay DWR Charges through any of the payment options then offered by Utility to Customers for payment of Utility Charges appearing on the Consolidated Utility Bill. Utility shall not permit Customers to direct how partial payments of balances due on Consolidated Utility Bills will be applied. Utility will credit all payments received from a Customer as set forth in Attachment B hereto.

## **Section 4. Collection and Nonpayment.**

### **4.1. Collection of DWR Charges.**

Utility will collect DWR Charges in accordance with its standard practices, and will notify Customers of amounts overdue for DWR Charges in accordance with such practices. Such collection practices shall conform to all requirements of Applicable Law and Applicable Tariffs. Utility will post all payments for DWR Charges as promptly as practicable, but in no case less promptly than Utility posts payments for Utility Charges.

### **4.2. Termination of Customer's Electrical Service.**

Utility shall adhere to and carry out disconnection policies in accordance with Applicable Law.

## **Section 5. Taxes and Fees Service.**

Subject to Section 7.3, Utility will collect and remit to the various authorities the taxes and fees assessed to Customers on the DWR Charges.



**Section 6. Late Payments.**

In the event that Utility receives late payment interest charges from a Customer, such payment shall be allocated to DWR based upon the same proportion that DWR Charges bear to the total Utility Charges on the Consolidated Utility Bill. Utility shall not allocate to DWR any other late payment service charges or collection fees (including but not limited to disconnection or reconnection services or similar charges related to Customer defaults).

**ATTACHMENT A**  
**SOUTHERN CALIFORNIA EDISON COMPANY**  
**REPRESENTATIVES AND CONTACTS**

**A. Parties Representatives:**

**Utility Representative:**

Southern California Edison Company  
2244 Walnut Grove Ave.  
Rosemead, CA 91770

Attn: Doug Campbell, Contract Manager  
7300 Fenwick Lane, Westminster, CA 92683  
Telephone: (714) 895-0275  
Facsimile: (714) 895-0243  
Email: [campbeda@sce.com](mailto:campbeda@sce.com)

**DWR Representative:**

State of California  
The Resources Agency  
Department of Water Resources  
California Energy Resources Scheduling Division  
3310 El Camino Avenue, Suite 120  
Sacramento, CA 95821

Attn: Viju Patel  
Energy Advisor  
Telephone: (916) 574-0339  
Facsimile: (916) 574-2512  
Email: [vpatel@water.ca.gov](mailto:vpatel@water.ca.gov)

B. Contact Persons:

The Parties shall make the following contact person(s) available with respect to the operational matters described below:

1. Billing Services:

Utility Contact (Primary):

Southern California Edison Company  
2244 Walnut Grove Ave.  
Rosemead, CA 91770

Attn: Doug Campbell, Contract Manager  
7300 Fenwick Lane, Westminster, CA 92683  
Telephone: (714) 895-0275  
Facsimile: (714) 895-0243  
Email: [campbeda@sce.com](mailto:campbeda@sce.com)

Utility Contact (Secondary):

Southern California Edison Company  
2244 Walnut Grove Ave.  
Rosemead, CA 91770

Attn: Gail Higashi, Tariff Compliance & Implementation  
P.O. Box 6109, Covina, CA 91722  
Telephone: (626) 967-8261  
Facsimile: (626) 967-8327  
Email: [higashgm@sce.com](mailto:higashgm@sce.com)

**DWR Contact:**

State of California  
The Resources Agency  
Department of Water Resources  
California Energy Resources Scheduling Division  
3310 El Camino Avenue, Suite 120  
Sacramento, CA 95821

Attn: Jim Olson, Deputy Comptroller  
Chief of Financial Management and Reporting  
Telephone: (916) 574-1297  
Facsimile: (916) 574-0301  
Email: [jolson@water.ca.gov](mailto:jolson@water.ca.gov)

**2. Scheduling, delivery and transmission:**

**Utility Contact (Primary):**

Southern California Edison Company  
2244 Walnut Grove Ave.  
Rosemead, CA 91770

Attn: Doug Campbell, Contract Manager  
7300 Fenwick Lane, Westminster CA 92683  
Telephone: (714) 895-0275  
Facsimile: (714) 895-0243  
Email: [campbeda@sce.com](mailto:campbeda@sce.com)

**Utility Contact (Secondary):**

Southern California Edison Company  
2244 Walnut Grove Ave.  
Rosemead, CA 91770

Attn: Mark Reardon, Energy Supply and Marketing  
2244 Walnut Grove Ave, G.O. 1 Quad 1C,  
Rosemead CA 91770  
Telephone: (626) 302-3288  
Facsimile: (626) 302-3276  
Email: [reardomb@sce.com](mailto:reardomb@sce.com)

**DWR Contact:**

State of California  
The Resources Agency  
Department of Water Resources  
California Energy Resources Scheduling Division  
3310 El Camino Avenue, Suite 120  
Sacramento, CA 95821

Attn: Susan Lee, Principal HEP Utility Engineer  
Chief of Energy Scheduling and Trading  
Telephone: (916) 574-1304  
Facsimile: (916) 574-0301  
Email: [slee@water.ca.gov](mailto:slee@water.ca.gov)

**ATTACHMENT B**  
**SOUTHERN CALIFORNIA EDISON COMPANY**  
**REMITTANCE METHODOLOGY**

**Daily Remittances**

Payments for DWR Power will be collected by Utility as an agent for DWR. Payments will be allocated and applied using Utility's payment posting priority process (described below). All partial payments to Utility will be prorated based on the payment posting priority. During Utility's nightly Accounts Receivable System processing, payments collected on behalf of DWR will be identified and applied against DWR Charges. On the next day, SCE will identify and process payment to DWR for amounts collected. DWR will receive wire payment directly from SCE on the 2nd Business Day after payment is received. If DWR prefers, DWR may request the Utility to remit payments via Automated Clearing House (ACH).

**DWR Outbound Payment: Proposed Process Wire Transfer and Sample Timeline:**

1. Customer statements are sent out.
2. Day 0 - SCE receives payment and payment is allocated per SCE's payment posting priority.
3. Day 0 - SCE Accounts Receivable System identifies payments and applies DWR portion to pre-established AR reporting categories (after hours).
4. Day 1 – Daily report of payments applied to DWR Charges from previous nights payment processing is generated by approximately 9:00 A.M.
5. Day 1 - Cash voucher for DWR payment generated by approximately 11:00 A.M.
6. Day 1 – Cash voucher approved and DWR payment entered into Accounts Payable system for processing by approximately 1:00 P.M.
7. Day 2 – SCE Cash Management receives DWR Accounts Payable instructions by 10:00 A.M. Note: All SCE payables (cash vouchers) for the day must be received by 10:00 A.M. to be processed and analyzed to ensure funds are available. Due to SCE's current financial status, the bank will not authorize payments without available funds.
8. Day 2 - Wire Payment is sent to DWR no later than 2:30 P.M.

Adjustments for misapplied payments, returned checks, payment transfers, miscellaneous adjustments, excess 20/20 credits greater than DWR Charges, and any routine billing or payment corrections will be reflected in the daily DWR remittance as those adjustments are made in Utility's billing system.

#### **Transition**

The Parties recognize that prior to the Effective Date of this Agreement, Utility has been remitting DWR Charges to DWR based upon the Interim Remittance Methodologies. As described in Section 4.2(e), the Utility will reconcile the amounts remitted pursuant to the Interim Remittance Methodologies with the Remittances to be made pursuant to this Agreement as follows:

Utility shall continue to make remittances to DWR pursuant to the Interim Remittance Methodologies for usage through June 2, 2001, with the final remittance pursuant to the Interim Remittance Methodologies to occur on July 17, 2001. Utility shall also make Remittances to DWR for usage beginning June 3, 2001, utilizing the method set forth in Section 2.2, Attachment B and Attachment H of this Agreement.

#### **Collection of DWR Charges**

SCE will follow its existing collection policies and practices consistent with Applicable Law and Applicable Tariffs and apply them to both SCE and DWR Charges. As permitted by Applicable Law and Applicable Tariffs, Utility will disconnect Customers' electric service for unpaid DWR Charges, in the same manner as SCE disconnects for its own charges.

For accounting purposes, uncollectable balances are written off 180 days after the final statement is issued. At this time, DWR will be provided a report reflecting uncollected DWR Charges. SCE will continue to collect and remit DWR payments as received until any one of the following occur:

- Three years after the final statement is issued
- Notification of a customer's death
- Notification of a customer's filing for bankruptcy protection
  - DWR is responsible for filing claim on DWR Charges included in a bankruptcy filing.
  - SCE will continue to bill and pursue post petition DWR charges.
- Total balance due is \$15.00 or less

Responsibility for collection of any DWR Charges that remain unpaid after one of the above conditions occurs will revert to DWR.

#### **Deposits Securing DWR Charges**

SCE will collect security deposits from Customers and return those security deposits to Customers both in accordance with applicable tariffs. Such security deposits will be applied

based on SCE's payment posting priority in the event a security deposit is no longer required.

**Other Operating Revenue Collected by Utility**

DWR shall have no rights to charges associated with Utility's collection or payment activities, including but not limited to, returned check charge, reconnection of service charge, field assignment charge, and QuickCheck charge. However, in accordance with Section 6 of Service Attachment 1, late payment interest charges assessed on DWR Charges will be remitted to DWR when collected.

**Payment Posting Priority Process**

Utility payment posting rules will assign equal priority to DWR Charges, SCE Energy, UUT, and Edison OnCall charges (together, "Priority Charges") by statement. Payments will be prorated among all categories of unpaid Priority Charges based on the amount owing in each statement. Priority Charges are paid first statement by statement. Any other non-priority charges will be paid with any remaining credit balance.

**Payment Posting Rules:**

1. Payments will be applied to the oldest statements and payment arrangements, first.
2. Within each statement or Payment Arrangement installment, the payment/credit will be prorated among all unpaid Priority Charges based on the amount owing in each category.

<b>Sample:</b>	<b>SCE</b>	<b>DWR</b>	<b>UUT</b>	<b>EOC</b>	<b>Total</b>
Bill due 6/10/01	\$30.00	\$60.00	\$5.00	\$5.00	\$100.00
% Of Total	30%	60%	5%	5%	100%
Payment 6/25/01	\$15.00	\$30.00	\$2.50	\$2.50	\$50.00
% Of Total	30%	60%	5%	5%	100%



**ATTACHMENT C**  
**SOUTHERN CALIFORNIA EDISON COMPANY**  
**SAMPLE DAILY AND MONTHLY REPORTS**

Utility will develop monthly reports providing information on sales (quantities of energy), revenues and other information that DWR may reasonably request. If available, Utility shall provide this information categorized by Customer class.

**Sample: Daily Remittance Report**

Process Date:                   xx/xx/xxxx                   Process Time:                   xx:xx  
Settlement Date:               xx/xx/xxxx

Provider Name	Payment Mode	Payment Amount
DWR	EFT	\$xxx,xxx.xx

**Sample Report: Daily DWR Percentage of Power**

Date	Daily %
6/3/01	0.25918
6/4/01	0.28901
6/5/01	0.26900
6/6/01	0.27000
6/7/01	0.30191

### Monthly Summary Report

A monthly report will be provided showing total amount billed, adjusted, and collected at the summary level. The report will include total of DWR Charges billed, adjusted, returned (written off at day 180). See Sample.

### Sample Report: Monthly

DPBXXXX XX-XX-XXXX	DWR RECEIVABLES - OUTSTANDING AND COLLECTED MONTH, 2001
ID: XXXXXXXX2	NAME: DWR
MONTH : XX-XX-XXXX TO XX-XX-XXXX	
DWR AMOUNT BILLED:	
NET AMOUNT BILLED	\$XXX,XXX.XX
AMOUNT CHARGED OFF:	\$XXX,XXX.XX
AMOUNT ADJUSTED - CR:	\$XXX,XXX.XX
AMOUNT ADJUSTED - DB:	\$XXX,XXX.XX
TOTAL AMOUNT BILLED:	\$XXX,XXX.XX
DWR AMOUNT COLLECTED:	
AMOUNT COLLECTED:	\$XXX,XXX.XX
AMOUNT OTHER CREDITS:	\$XXX,XXX.XX
TOTAL AMOUNT COLLECTED:	\$XXX,XXX.XX
DWR AMOUNT PREVIOUSLY REMITTED ADJUSTMENT:	\$XXX,XXX.XX
TOTAL AMOUNT TO BE REMITTED:	\$XXX,XXX.XX
DWR Outstanding day 180 (Inactive Accounts)	\$XXX,XXX.XX

YEAR-TO-DATE: XX-XX-XXXX TO XX-XX-XXXX

DWR AMOUNT BILLED:

NET AMOUNT BILLED:	\$XXX,XXX.XX
--------------------	--------------

AMOUNT CHARGED OFF:	\$XXX,XXX.XX
---------------------	--------------

AMOUNT ADJUSTED - CR:	\$XXX,XXX.XX
-----------------------	--------------

AMOUNT ADJUSTED - DB:	\$XXX,XXX.XX
-----------------------	--------------

TOTAL AMOUNT BILLED:	\$XXX,XXX.XX
----------------------	--------------

DWR AMOUNT COLLECTED:

AMOUNT COLLECTED:	\$XXX,XXX.XX
-------------------	--------------

AMOUNT OTHER CREDITS:	\$XXX,XXX.XX
-----------------------	--------------

TOTAL AMOUNT COLLECTED:	\$XXX,XXX.XX
-------------------------	--------------

DWR AMOUNT PREVIOUSLY REMITTED ADJUSTMENT:	\$XXX,XXX.XX
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TOTAL AMOUNT REMITTED:	\$XXX,XXX.XX
------------------------	--------------

**ATTACHMENT D**  
**SOUTHERN CALIFORNIA EDISON COMPANY**  
**GENERAL TERMS AND CONDITIONS**

For purposes of this Attachment D, Utility shall be deemed to be the "Contractor" hereunder. To the extent that Contractor's compliance with any of the terms of this Attachment D results in additional costs and expenses for Contractor (except to the extent the terms of this Attachment D merely require compliance with laws or regulations which apply to the Contractor irrespective of the existence of this Agreement), Contractor will invoice DWR for such additional costs and expenses, and DWR shall pay such invoices as Additional Charges, in the manner contemplated by Section 7 of the Agreement.

1. **RECYCLING CERTIFICATION:** The Contractor shall certify in writing under penalty of perjury, the minimum, if not exact, percentage of recycled content, both post consumer waste and secondary waste as defined in the Public Contract Code, Sections 12161 and 12200, in materials, goods, or supplies offered or products used in the performance of this Agreement, regardless of whether the product meets the required recycled product percentage as defined in the Public Contract Code, Sections 12161 and 12200. Contractor may certify that the product contains zero recycled content. (PCC 10233, 10308.5, 10354)

2. **NON-DISCRIMINATION CLAUSE:** During the performance of this Agreement, Contractor and its subcontractors shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (cancer), age (over 40), marital status, and denial of family care leave. Contractor and subcontractors shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. Contractor and subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code Section 12990 (a-f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. Contractor and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.

Contractor shall include the nondiscrimination and compliance provisions of this clause in all contracts with subcontractors to perform work under the Agreement.

3. **CERTIFICATION CLAUSES:** The CONTRACTOR CERTIFICATION CLAUSES attached hereto are hereby incorporated by reference and made a part of this Agreement.

4. **CHILD SUPPORT COMPLIANCE ACT:** "For any Agreement in excess of \$100,000, the contractor acknowledges that:

a. the contractor recognizes the importance of child and family support obligations and shall fully comply with all applicable state and federal laws relating to child and family support enforcement, including, but not limited to, disclosure of information and compliance with earnings assignment orders, as provided in Chapter 8 (commencing with section 5200) of Part 5 of Division 9 of the Family Code; and

b. the contractor, to the best of its knowledge is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry maintained by the California Employment Development Department."

5. **UNION ORGANIZING:** Contractor by signing this Agreement hereby acknowledges the applicability of Government Code Section 16645 through Section 16649 to this Agreement.

a. Contractor will not assist, promote or deter union organizing by employees performing work on a state service contract, including a public works contract.

b. No state funds received under this agreement will be used to assist, promote or deter union organizing.

c. Contractor will not, for any business conducted under this agreement, use any state property to hold meetings with employees or supervisors, if the purpose of such meetings is to assist, promote or deter union organizing, unless the state property is equally available to the general public for holding meetings.

d. If Contractor incurs costs, or makes expenditures to assist, promote or deter union organizing, Contractor will maintain records sufficient to show that no reimbursement from state funds has been sought for these costs, and that Contractor shall provide those records to the Attorney General upon request.

## **CERTIFICATION**

I, the official named below, **CERTIFY UNDER PENALTY OF PERJURY**, or **EXECUTE THIS CERTIFICATION**, in the manner required by Applicable Law, certifying thereby that I am duly authorized to legally bind the entity identified below to the clause(s) listed in the following numbered paragraphs 1-5. This certification is made under the laws of the State of California.

### **Southern California Edison Company**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Federal ID Number \_\_\_\_\_

Executed in the County of \_\_\_\_\_

## CERTIFICATION

I, the official named below, CERTIFY UNDER PENALTY OF PERJURY, or EXECUTE THIS CERTIFICATION, in the manner required by Applicable Law, certifying thereby that I am duly authorized to legally bind the entity identified below to the clause(s) listed in the following numbered paragraphs 1-5. This certification is made under the laws of the State of California.

### **Southern California Edison Company**

By: John R. Fielder

Name: John R. Fielder

Title: Senior Vice President

Date: March 29, 2002

Federal ID Number \_\_\_\_\_

Executed in the County of Los Angeles, CA

## **CONTRACTOR CERTIFICATION CLAUSES**

1. **STATEMENT OF COMPLIANCE:** Contractor has, unless exempted, complied with the nondiscrimination program requirements. (GC 12990 (a-f) and CCR, Title 2, Section 8103) .

2. **DRUG-FREE WORKPLACE REQUIREMENTS:** Contractor will comply with the requirements of the Drug-Free Workplace Act of 1990 and will provide a drug-free workplace by taking the following actions:

a. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations.

b. Establish a Drug-Free Awareness Program to inform employees about:

- 1) the dangers of drug abuse in the workplace;
- 2) the person's or organization's policy of maintaining a drug-free workplace;
- 3) any available counseling, rehabilitation and employee assistance programs; and,
- 4) penalties that may be imposed upon employees for drug abuse violations.

c. Every employee who works on the proposed Agreement will:

- 1) receive a copy of the company's drug-free workplace policy statement; and,
- 2) agree to abide by the terms of the company's statement as a condition of employment.

Failure to comply with these requirements may result in suspension of payments under the Agreement or termination of the Agreement or both and Contractor may be ineligible for award of any future State agreements if the department determines that any of the following has occurred: (1) the Contractor has made false certification, or violated the certification by failing to carry out the requirements as noted above. (GC 8350 et seq.)

3. **NATIONAL LABOR RELATIONS BOARD CERTIFICATION:** Contractor certifies that no more than one (1) final unappealable finding of contempt of court by a Federal court has been issued against Contractor within the immediately preceding two-year period because of Contractor's failure to comply with an order of a Federal court which orders



Contractor to comply with an order of the National Labor Relations Board. (PCC 10296)

4. **RECYCLED MATERIALS:** Contractor hereby certifies under penalty of perjury that at least 0% of the materials, goods and supplies offered or products used in the performance of this Agreement meet or exceed the minimum percentage of recycled materials as defined in Sections 12161 and 12200 of the Public Contract Code.

5. **UNION ACTIVITIES:** In compliance with California Government Code Sections 16645 – 16649, Contractor hereby certifies that no request for reimbursement, or payment under this agreement, will be made for costs incurred to assist, promote or deter union organizing.

## **DOING BUSINESS WITH THE STATE OF CALIFORNIA**

The following laws apply to persons or entities doing business with the State of California.

1. **CONFLICT OF INTEREST:** Contractor needs to be aware of the following provisions regarding current or former state employees. If Contractor has any questions on the status of any person rendering services or involved with the Agreement, the awarding agency must be contacted immediately for clarification.

### **Current State Employees (PCC 10410):**

- 1) No officer or employee shall engage in any employment, activity or enterprise from which the officer or employee receives compensation or has a financial interest and which is sponsored or funded by any state agency, unless the employment, activity or enterprise is required as a condition of regular state employment.
- 2) No officer or employee shall contract on his or her own behalf as an independent contractor with any state agency to provide goods or services.

### **Former State Employees (PCC 10411):**

- 1) For the two-year period from the date he or she left state employment, no former state officer or employee may enter into a contract in which he or she engaged in any of the negotiations, transactions, planning, arrangements or any part of the decision-making process relevant to the contract while employed in any capacity by any state agency.
- 2) For the twelve-month period from the date he or she left state employment, no former state officer or employee may enter into a contract with any state agency if he or she was employed by that state agency in a policy-making position in the same general subject area as the proposed contract within the 12-month period prior to his or her leaving state service.

If Contractor violates any provisions of above paragraphs, such action by Contractor shall render this Agreement void. (PCC 10420)

Members of boards and commissions are exempt from this section if they do not receive payment other than payment of each meeting of the board or commission, payment for preparatory time and payment for per diem. (PCC 10430 (e))

2. **LABOR CODE/WORKERS' COMPENSATION:** Contractor needs to be aware of the provisions which require every employer to be insured against liability for Worker's Compensation or to undertake self-insurance in accordance with the provisions, and Contractor affirms to comply with such provisions before commencing the performance of the work of this Agreement. (Labor Code Section 3700)

3. **AMERICANS WITH DISABILITIES ACT:** Contractor assures the State that it

complies with the Americans with Disabilities Act (ADA) of 1990, which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA. (42 U.S.C. 12101 et seq.)

4. **CONTRACTOR NAME CHANGE:** An amendment is required to change the Contractor's name as listed on this Agreement. Upon receipt of legal documentation of the name change the State will process the amendment. Payment of invoices presented with a new name cannot be paid prior to approval of said amendment.

5. **AIR OR WATER POLLUTION VIOLATION:** Under the State laws, the Contractor shall not be: (1) in violation of any order or resolution not subject to review promulgated by the State Air Resources Board or an air pollution control district; (2) subject to cease and desist order not subject to review issued pursuant to Section 13301 of the Water Code for violation of waste discharge requirements or discharge prohibitions; or (3) finally determined to be in violation of provisions of federal law relating to air or water pollution.

6. **PAYEE DATA RECORD FORM STD. 204:** All contractors that are not another state agency or other government entity must complete this form.

**ATTACHMENT E**  
**SOUTHERN CALIFORNIA EDISON COMPANY**  
**ADDITIONAL PROVISIONS**

**Section 1. Memorandum of Understanding**

Memorandum of Understanding, entered as of April 9, 2001, by and among the California Department of Water Resources and Southern California Edison Company, a California corporation, and, as to Sections 5, 8, and 12, Edison International, a California corporation ("MOU"). The MOU sets forth the understandings of the parties about a plan to provide affordable and reliable electricity to customers of SCE. In the event the MOU is not approved as required by its own terms, the reference to the MOU in this Attachment E provides no independent basis for enforcement of the MOU.

**Section 2. Letter Agreement**

Letter Agreement dated June 25, 2001, between California Department of Water Resources and Southern California Edison Company, regarding payment by DWR of SCE invoices for implementation and recurring fees and ability of SCE to reduce Remittances by amount of customer credits under the 20/20 program and other interruptible programs prior to the Effective Date of the Servicing Agreement.

**Section 3. Reservation of Rights**

Notwithstanding (i) the terms, execution or operation of the Agreement, (ii) the approval of, any modification to, or any other action taken with respect to or having an effect on the Agreement by the Commission or any other Governmental Authority, or (iii) any other action taken by a Governmental Authority, Utility hereby reserves all rights (if any) in any forum to contest, oppose, appeal, comment on, or otherwise seek to revisit, alter, modify or set aside any present or future decisions, orders, opinions, rulings, or actions or omissions to act by the Commission or any other Governmental Authority, whether in draft, interim or final form, arising out of, relating to, or connected with (x) the calculation of DWR Charges or DWR Revenues and the allocation of costs and amounts of electric capacity and output among the customers of electrical corporations, (y) the interpretation and/or legality of Applicable Law or Applicable Commission Orders, or (z) remittance of such calculated amounts by Utility to DWR or its Assign(s) under Applicable Law or Applicable Commission Orders in a manner inconsistent with this Agreement or Utility's ability to perform its utility functions.

**Section 4. Orders of the Federal Energy Regulatory Commission**

Nothing in the Agreement shall operate to modify any of the requirements of any order of the Federal Energy Regulatory Commission. Without limiting the generality of the foregoing, nothing in the Agreement shall obligate Utility to pay for costs that would be inconsistent with any order of the Federal Energy Regulatory Commission or the ISO tariff.

**ATTACHMENT F**  
**SOUTHERN CALIFORNIA EDISON COMPANY**  
**CALCULATION METHODOLOGY FOR REDUCED REMITTANCES**  
**PURSUANT TO 20/20 PROGRAM**

**Reimbursement of 20/20 Rebate Costs**

Utility will utilize the method set forth in Attachment B to remit DWR Revenues to DWR. Payments to DWR (less the 20/20 rebate deduction) for DWR Charges will be remitted as the bills are paid by the customer. The 20/20 rebate will credit (reduce) the current DWR Charges on the Customer's bill. If the current DWR Charges on the Customer's bill are less than the 20/20 rebate, the remaining rebate will be applied to older DWR Charges. If there is still a remaining credit after all DWR Charges are offset, the remaining rebate will be applied as a credit pursuant to Utility payment posting priority rules and will offset other charges. Because DWR is funding the rebate program, Utility will recover any excess rebate amount by deducting it from the Daily Remittance(s) made to DWR. This will be reflected in the Utility's monthly summary report as "amount previously remitted." If, upon or after termination of this Agreement, excess rebates are owed, Utility will invoice DWR for such rebates as Additional Charges pursuant to Section 7 of the Agreement.

**Reimbursement of 20/20 Implementation Costs**

DWR will pay to Utility an implementation fee and recurring fees in order to cover Utility's reasonable development and on-going costs for the procedures, systems and mechanisms that are necessary to implement the 20/20 Program. Utility shall invoice DWR for payment of the implementation fee and recurring fees with reasonable supporting documentation in accordance with Section 7.2 of the Servicing Agreement.

## 20/20 Fee Schedule

The intent is to reimburse the actual, incremental costs incurred by Southern California Edison (SCE). SCE will exercise its best efforts in managing their operations to minimize costs and keep within the budgeted costs shown below:

Estimated 20/20 Governor's Executive Order (March 13, 2001)

### Incremental Costs

			Start Up	Ongoing			
Item #	Description	Cost Type	Start Up	Year 1	Year 2	Year 3	Year 4
1	Billing Infrastructure Maintenance	Annual Cost	-	-	182,801	181,199	172,068
2	Billing Application System Maintenance	Annual Cost	-	12,171	33,378	34,720	36,039
3	Bundled Svc/C&I Letters, postage, Internet Access	Annual Cost	-	188,766	-	-	-
4	Rebills	Annual Cost	-	84,698	-	-	-
4	Field Visit	Annual Cost	-	108,844	-	-	-
5	Call Center Billing Inquiry	Annual Cost	-	315,742	-	-	-
6	Call Center Training Development, Delivery and Materials	One Time Fee	98,049	-	-	-	-
Total O&M Expenses			98,049	710,220	216,179	215,919	208,108

1	Billing System Infrastructure Upgrade	One Time Purchase	898,825	-	-	-	-
2	Billing Application System Development	One Time Fee	514,500	-	-	-	-
Total Capital			1,413,325	-	-	-	-

#### Key Cost Assumptions:

- ⇒ 20/20 Rebate Program effective date June 1, 2001; termination date Oct. 31, 2001.
- ⇒ Billing Infrastructure includes CSS and CRISS systems upgrade.
- ⇒ Programming costs include changes to SCE billing system for residential and non-residential customers to establish and display rebate information, including prior usage, baseline allowance, credit, etc.
- ⇒ Survival of Payment Obligation Clause: System infrastructure and application will be maintained up to 2004 with the anticipation of continued rebill and collection activities.
- ⇒ CCO (Customer Communication Org.) anticipates average 30% increase of handle time from  
TURN ON/OFF calls; average 20% increase in billing inquiries from July to October; average 30% of Billing Inquiries (BI) will be escalated to BI cases demanding higher level involvement for resolution.
- ⇒ Average 10% of BI cases will result in field visits.
- ⇒ Anticipate an average of additional 3,000 monthly rebills. Rebills will be continued up to 2004, as part of our continued ongoing operation.
- ⇒ Costs are estimated, SCE reserves the right to adjust costs as needed.

If SCE's monthly expense tracking systems or mechanisms show that costs are running greater than 15% higher or lower than estimated, SCE shall notify DWR of the reasons for the variance. SCE will invoice as "additional fees" or refund to DWR on a quarterly basis for any over or under collection of fees if greater than 15% or as agreed upon by the parties. Requests for additional services, not provided for in the Agreement or Attachment G, will be mutually agreed upon by the parties prior to rendering service to determine labor and systems constraints. Cost for additional services shall be negotiated in good faith by the parties prior to rendering service.

Approved costs will be reimbursed in accordance with Section 7.2 of the Servicing Agreement. Each invoice for additional costs must include:

- Appropriate documentation for fixed amounts where tracking these costs is burdensome. For example: CCO (Customer Communication Organization) assumes increase in billing related inquiries from July to October will be approximately 20% or 17,800 additional calls. The CCO cost per call in 2001 is approximately \$4.02 per call. 2001 annual total of \$71,556 to be paid monthly by DWR.
- Hourly labor rates and total hours to complete a task acceptable, such as programming the billing systems (Estimates should always cover maximum effort expected with any contingencies. This will avoid having to come back and amend service agreement if total authorized amounts are exceeded).
- Provide invoices or vendor receipts for equipment purchases.

#### **20/20 Program Reporting**

1. **Bi Monthly** – To the extent reasonably possible, SCE shall provide DWR with a report showing the aggregated dollar amount and number of 20/20 credits applied to Customer accounts at least twice monthly.
2. **Monthly** – To the extent reasonably possible, SCE shall provide DWR with monthly reports showing the monthly total number of Customer accounts by customer class, average percent amount and average credit amount of 20/20 credits. In addition, SCE will provide prior year and current years system wide monthly kWh average. Monthly reports will be completed within 10 Business Days after the first of each month.
3. **Program Summary** – To the extent that SCE completes any additional analysis of the results of the 20/20 Program, such as by qualification type, SCE will provide to DWR such analysis. Any additional findings, including "lessons learned" and recommendations for future similar programs, will also be provided to DWR.



**ATTACHMENT G**  
**SOUTHERN CALIFORNIA EDISON COMPANY**  
**FEE SCHEDULE**

The intent is to reimburse the actual, incremental costs incurred by Southern California Edison Company (SCE). SCE will exercise its best efforts in managing their operations to minimize costs and keep within the budgeted costs shown below:

**Estimated DWR / ABX 1 Incremental Costs**

			Start Up	Ongoing			
1	Billing Infrastructure Maintenance	Annual Cost	-	-	96,380	86,433	78,084
2	Billing Application System Maintenance	Annual Cost	-	32,124	57,207	59,507	61,768
3	Bank Charges - Wire Transfer	Annual Cost	-	1,285	2,227	1,140	771
4	Remittance Processes	Annual Cost	-	948	1,642	841	569
5	Call Center DWR Line Item Billing Inquiry	Annual Cost	-	94,530	67,673	-	-
6	Call Center Training Development, Delivery and Materials	One Time Fee	30,003	-	-	-	-
Total O&M Expenses			30,003	128,887	225,129	147,921	141,192
1	Billing System Infrastructure Upgrade	One Time Purchase	564,846	-	-	-	-
2	Billing Application System Development	One Time Fee	1,236,400	-	-	-	-
Total Capital			1,801,246	-	-	-	-
Total O&M Expenses and Capital			1,831,248	128,887	225,129	147,921	141,192

**Key Cost Assumptions:**

- ⇒ Service Agreement effective date June 3, 2001; DWR purchase of power agreement terminates 1/2/2003; Remittance for DWR funds can occur for up to 3 years after final bill presentation.
- ⇒ Billing Infrastructure includes CSS (Customer Service System) and CRRIS (Revenue Reporting System) systems upgrade.
- ⇒ Programming costs include changes to SCE billing system for residential and non-residential customers and presentation of a DWR line item on the bill.
- ⇒ Remittances will be on a daily basis via wire transfer using the “precise billing method” described in the March 27, 2001 decision (D.01-03-081) and further defined in SCE Attachment B.
- ⇒ CCO (Customer Communication Organization) anticipates an average 12% increase in Billing Inquiries (BI) the first 7 months, with diminishing inquiries down to 6% the 2<sup>nd</sup> year.
- ⇒ Excludes 20/20 Rebate programming and service costs.
- ⇒ Costs are estimated, SCE reserve the right to adjust costs as needed.

If SCE’s monthly expense tracking systems or mechanisms show that costs are running greater than 15% higher or lower than estimated, SCE shall notify DWR of the reasons for the variance. SCE will invoice as “additional fees” or refund to DWR on a quarterly basis for any over or under collection of fees if greater than 15% or as agreed upon by the parties. Requests for additional services, not provided for in the Agreement or Attachment G, will be mutually agreed upon by the parties prior to rendering service to determine labor and systems constraints. Cost for additional services will be negotiated in good faith by the parties prior to rendering service.

Approved costs will be reimbursed in accordance with Section 7.2 of the Servicing Agreement. Each invoice for additional costs must include:

- Appropriate documentation for fixed amounts where tracking these costs is burdensome. For example: CCO (Customer Communication Organization) assumes increase in billing related inquiries from June 3, 2001 to December 31, 2001 will be approximately 12.21% or 23,544 additional calls. The CCO cost per call in 2001 is approximately \$4.02 per call. 2001 annual total of \$94,530 to be paid monthly by DWR.
- Hourly labor rates and total hours to complete a task acceptable, such as programming the billing systems (Estimates should always cover maximum effort expected with any contingencies. This will avoid having to come back and amend service agreement if total authorized amounts are exceeded).
- Provide invoices or vendor receipts for equipment purchases.

## **ATTACHMENT H**

### **ADJUSTMENTS TO DWR CHARGES FOR VARIANCES IN DWR POWER DELIVERED**

#### **SCE REMITTANCE PERCENTAGE CALCULATION AND TRUE-UP**

SCE's Energy Supply and Management Department (ES&M) will provide to SCE's billing department the daily DWR Percentage (as defined below). This DWR Percentage will be used by SCE's billing department to determine the amount of DWR Power provided by DWR to Bundled Customers for each day and the corresponding Power Charges to be remitted to DWR for such energy deliveries. Capitalized terms used in this Attachment H shall have the meanings ascribed to them in the First Amended And Restated Servicing Agreement, unless otherwise defined herein.

##### **Detailed Process**

The daily DWR Percentage calculation is performed on  $t+1$  (the day after the energy is used) by ES&M as indicated below. All references in this Attachment H to the addition or summation process shall mean addition or summation taking into account whether the quantities being added or summed carry a positive or negative sign. Imbalance Energy shall be a positive quantity if CERS provided additional energy to Bundled Customers than was scheduled by CERS to SCE and a negative quantity if CERS provided less energy to Bundled Customers than was scheduled by CERS to SCE.

#### **1. Estimated Energy Deliveries On Day $t$**

- a. For each hour of each day  $t$ , SCE will determine from the ISO-published CERS Final Hour-Ahead Schedule the quantity of energy that is scheduled from CERS to SCE ("Estimated Hourly Scheduled Energy"). This energy is scheduled from CERS to SCE in the form of a Scheduling Coordinator-to-Scheduling Coordinator trade. The summation of Estimated Hourly Scheduled Energy for all hours of day  $t$  shall be defined as the "Estimated Daily Scheduled Energy" for day  $t$ .
- b. For each hour of each day  $t$ , SCE will estimate the Imbalance Energy provided by CERS to Bundled Customers ("Estimated Hourly Imbalance Energy"). The summation of Estimated Hourly Imbalance Energy for all hours of day  $t$  shall be defined as the "Estimated Daily Imbalance Energy" for day  $t$ .
- c. For each hour of each day  $t$ , SCE will estimate Bundled Customer energy usage ("Estimated Hourly Bundled Customer Usage"). The summation of Estimated Hourly Bundled Customer Usage for all hours of day  $t$  shall be defined as the "Estimated Daily Bundled Customer Usage" for day  $t$ .

## **2. True-Up Energy For Day t-90**

- a. Since the DWR Percentage calculated for a particular day reflects an estimate of Imbalance Energy and Bundled Customer energy usage delivered on that day, rather than actual values, an adjustment or true-up shall be performed as provided herein. This adjustment or true-up will be made, as provided herein, by modifying the DWR Percentage for the 90<sup>th</sup> day after the energy usage date.
- b. Final Settlement Statements from the ISO should have been received and validated 90 days after CERS energy is delivered to Bundled Customers. These validated ISO Final Settlement Statements shall be used as the source for determining actual energy quantities for the purposes of this Attachment H.
- c. The True-Up Energy for day t-90 shall be calculated on day t+1 as follows:
  - i. The "Energy Upon Which DWR Power Charge Remittances Were Based" for day t-90 is the DWR Percentage for day t-90 multiplied by the actual Bundled Customer metered usage for t-90.
  - ii. The "Energy For Which DWR Should Receive Power Charge Remittances" for day t-90 is the CERS Final Hour-Ahead Schedule from CERS to SCE for day t-90 plus the actual Imbalance Energy provided by CERS to Bundled Customers on day t-90 plus the True-Up Energy, defined below, for day t-180. The actual Imbalance Energy provided by CERS to Bundled Customers for all days prior to the Effective Date of the First Amended And Restated Servicing Agreement shall be deemed to be zero for the purposes of this Attachment H. SCE's remittances to DWR for Imbalance Energy provided to Bundled Customers prior to such Effective Date are addressed in the Letter Agreement, as amended, which is attached to the First Amended And Restated Servicing Agreement as Attachment I. Including the True-Up Energy component for day t-180 in the calculation of Energy For Which DWR Should Receive Power Charge Remittances for day t-90 is required because this Attachment H procedure operates to modify the DWR Percentage ninety days after the day of energy deliveries ("Day Of Energy Deliveries") to account for the difference between the energy for which DWR was actually paid for the Day Of Energy Deliveries and the energy for which DWR should be paid for the Day Of Energy Deliveries.
  - iii. "True-Up Energy" for day t-90 is the Energy For Which DWR Should Receive Power Charge Remittances for day t-90 minus the Energy Upon Which DWR Power Charge Remittances Were Based. True-Up Energy may carry a positive or negative sign.

### **3. Daily DWR Percentage For Day t**

- a. The "DWR Percentage" for day t shall be calculated on day t+1 and shall be obtained by summing the Estimated Scheduled Energy for day t, the Estimated Imbalance Energy for day t, and the True-Up Energy for day t-90 and dividing the result by the Estimated Daily Bundled Customer Usage for day t.

ES&M shall transmit the DWR Percentage to SCE's Billing Department on day t+1 for purposes of determining remittances of Power Charges from Bundled Customers to DWR.

### **APPROACH TO ESTIMATING BUNDLED CUSTOMER USAGE AND IMBALANCE ENERGY**

ES&M relies on data from SCE's energy management system to estimate Bundled Customer usage and Imbalance Energy on day t+1. SCE agrees to monitor the accuracy of its t+1 estimates and report the results to DWR. If True-up Energy amounts become significant or indicate consistent over-estimates or under-estimates, SCE agrees to review its methodologies for estimating quantities to determine if improvements in such methodologies may be made to yield better quality estimates at no cost. Notwithstanding the foregoing review, SCE shall not be obligated to expend funds to improve its estimation methodologies.

**ATTACHMENT I**

**SOUTHERN CALIFORNIA EDISON**

**LETTER AGREEMENT DATED FEBRUARY 28, 2002,**  
**AND AMENDED AS OF MARCH 18, 2002**

STATE OF CALIFORNIA - THE RESOURCES AGENCY

GRAY DAVIS, Governor

**DEPARTMENT OF WATER RESOURCES**

California Energy Resources Scheduling  
PO Box 219001  
3310 El Camino Avenue, Suite 120  
SACRAMENTO, CA 95821-9001  
(916)574-1291



February 28, 2002

Southern California Edison Company  
8631 Rush Street  
Rosemead, CA 91770  
Attention: James Scilacci

Dear Mr. Scilacci:

This Letter Agreement (this "Letter Agreement"), effective on date of execution, is being entered into by and between the California Energy Resources Scheduling division of the California Department of Water Resources ("CDWR"), acting solely under the authority and powers granted by AB1-X, codified as Sections 80000 through 80270 of the California Water Code, as amended (the "Act"), including but not limited to its authority to make payments from amounts in the Department of Water Resources Electric Power Fund (the "Electric Power Fund") available for the purposes set forth in this Letter Agreement, but not under its powers and responsibilities with respect to the State Water Resources Development System, and Southern California Edison Company, a corporation organized and existing under the laws of the State of California ("SCE"). The Act, together with any subsequent legislation which extends such authorization, is referred to herein collectively as the "Extended Act."

This Letter Agreement is being entered into by CDWR and SCE to address CDWR's and SCE's respective rights and obligations with respect to (a) real-time electric energy used to serve SCE's retail load that has not been, and is not, served by SCE generation resources and contracts in any hour since Hour Ending 2200 (10:00 p.m.) (the "last SCE cost responsibility hour") on January 17, 2001 ("Imbalance Energy"); provided that whether Instructed Imbalance Energy (as defined in the ISO tariff) provided by SCE generation and contracts to the ISO in real-time shall be considered to serve SCE's retail load, and hence considered to be Imbalance Energy hereunder, shall be treated in accordance with Section 3 herein, and (b) certain other costs relating specifically to SCE invoiced to CDWR ("Other ISO Invoiced Charges" and collectively with Imbalance Energy costs, the "ISO Invoiced Charges") by the California Independent System Operator Corporation (the "ISO") pursuant to that certain Federal Energy Regulatory Commission ("FERC") order dated November 7, 2001 (Docket Nos. ER01-3013 and ER01-889). CDWR and SCE (each a "Party" and collectively the "Parties") are entering into this Letter Agreement with the principal understanding that (a) each Party will have the ability to recover revenues from SCE's retail customers through appropriate regulatory or judicial proceedings sufficient to cover that Party's financial responsibility for such appropriate portion of the ISO Invoiced Charges and (b) the allocation of financial responsibilities as set forth in Exhibits A-1 and A-2 of this Letter Agreement will not cause double-billing of SCE's retail customers for the ISO Invoiced Charges.

As authorized under the Act and other authorizing acts, commencing on the last SCE cost responsibility hour on January 17, 2001, CDWR has procured electric energy to serve SCE's retail load that has not been, and is not, served by SCE generation resources and contracts. The Parties wish to clarify the allocation of financial responsibility for the cost of a portion of such procured electric energy constituting Imbalance Energy and further clarify the allocation of financial responsibility for the Other ISO Invoiced Charges. This Letter Agreement allocates financial responsibilities for disputed items noted in CDWR's December 7, 2001 FERC Request for Rehearing ("Request for Rehearing") and costs due and payable with respect to the ISO Invoiced Charges, and the Parties are entering into this Letter Agreement to fully and finally settle the outstanding disputes noted in CDWR's Request for Rehearing as such disputes relate to SCE; provided, however, nothing in this Letter Agreement is intended to release or extinguish any rights of CDWR or SCE to file disputes with the ISO related to the ISO invoices or the related settlement data which do not relate to the allocation of charges between the Parties as set forth in Exhibits A-1 and A-2 attached hereto. Upon CDWR's receipt of all Catch-Up Remittances (defined below) provided in Section 1 herein and the Other ISO Charge Remittances (defined below) provided in Section 2 herein, CDWR shall acknowledge that all disputes it has filed to date with the ISO relating to the allocation of financial responsibilities as provided in Exhibits A-1 and A-2 of this Letter Agreement would be fully and finally settled. In addition, this Letter Agreement clarifies the remittance obligations of SCE from its ratepayers on behalf of CDWR for Imbalance Energy used to serve SCE's retail load and CDWR's and SCE's agreed responsibility for the designated ISO Invoiced Charges.

In consideration of the mutual promises and undertakings of the Parties set forth herein, the Parties hereby agree as follows:

SECTION 1. CDWR Payment of Imbalance Energy Costs and SCE Remittance of Related Revenues to CDWR. Pursuant to the November 7, 2001 FERC order, CDWR has received invoices from the ISO for ISO Invoiced Charges, including costs related to Imbalance Energy. Upon effectiveness of this Letter Agreement and during the term of this Letter Agreement as provided in Section 14 hereof, after the last SCE cost responsibility hour, CDWR shall be responsible for the procurement cost for Imbalance Energy delivered to SCE's retail customers and associated costs and for those charges allocated to CDWR in Exhibit A-1 hereto and pursuant to the terms of item 8 in Exhibit A-2 hereto.

During the term of this Letter Agreement, after the last SCE cost responsibility hour, SCE shall have no financial responsibility related to the procurement of such Imbalance Energy or other charges for which financial responsibility has been accepted by CDWR as set forth in Exhibit A-1 and pursuant to the terms of item 8 in Exhibit A-2.

SCE, however, shall be obligated to make remittances ("Imbalance Energy Remittances") to CDWR at the appropriate rate determined by the CPUC pursuant to the methodology for payment described in this Letter Agreement, the Servicing Agreement executed between the Parties as of June 23, 2001, as may be amended (the "Servicing Agreement"), and relevant CPUC orders.



SCE and CDWR acknowledge CPUC Decision 02-02-052 and agree to acknowledge any subsequent CPUC decisions affecting the rate paid to CDWR for power deliveries to SCE's retail customers. The Parties agree to make any payment adjustments necessary to reflect any difference between the Imbalance Energy Remittances due to CDWR at the applicable CPUC interim rates as described in Exhibits B and C and the Imbalance Energy Remittances that are due based on the CPUC's retroactive rate for the same period determined in CPUC Decision 02-02-052 or any other relevant CPUC order in accordance with the provisions and timing specified in such order.

For purposes of calculating Imbalance Energy Remittances for the period after the last SCE cost responsibility hour on January 17, 2001, the quantities of Imbalance Energy shall be determined based on the methodology as described in Exhibit B hereto and Section 3 herein.

Unless otherwise ordered by the CPUC, SCE shall make remittances for Imbalance Energy for the period beginning January 17, 2001 through the date of the execution of this Letter Agreement (the "Catch-up Period," and such remittances are herein referred to as "Catch-up Remittances") in monthly installments to be paid beginning on April 1, 2002, and continuing on the first business day of each succeeding month as follows:

April 1, 2002	\$100 million
May 1, 2002	No payment
June 3, 2002	\$150 million
July 1, 2002	Remaining amount owing for Catch-Up Remittances

The amount owed for Imbalance Energy for the Catch-up Period shall be equal to the Imbalance Energy Catch-up Payable as determined in accordance with Exhibit B attached hereto. The total amount of Catch-up Remittances to be paid by SCE in four monthly installments shall equal the Imbalance Energy Catch-up Payable minus the Total Offsets as determined in accordance with Exhibit C attached hereto ("Catch-Up Remittances Before Interest"), plus the interest described in this paragraph. Interest on Catch-Up Remittances Before Interest shall be calculated at the Goldman Sachs Financial Square Money Market Fund daily rate (the "SCE Daily Money Market Rate"), compounded daily, on amounts owed beginning forty-five (45) days after the day the energy was delivered and ending on the date paid. The SCE Daily Money Market Rate shall be provided by SCE for each day in the Catch-up Period, and for each day after the date of the execution of this Letter Agreement on a monthly basis for as long as outstanding payables are owed hereunder. Each payment by SCE of the Catch-Up Remittances as set forth in this Section shall reduce the principal amount upon which interest is calculated for subsequent payment periods. SCE may pay any remaining balance ahead of the schedule indicated above without penalty.

The Parties agree to revise Attachment H to the Servicing Agreement as part of the Amendment to the Servicing Agreement (as described in Section 9 herein) within fifteen (15) business days of the date of execution of this Letter Agreement in order to incorporate into the calculation of the daily DWR Percentage, as defined in Attachment

H of the Servicing Agreement, both forecast Imbalance Energy and the difference between forecast and actual Imbalance Energy. The Parties agree to make such revision to Attachment H effective on the day that such Amendment to the Servicing Agreement is approved by the CPUC. From the day after the effective date of this Letter Agreement through the day before such Amendment to the Servicing Agreement is effective (the "Transition Period"), SCE shall calculate remittances due to or from CDWR for Imbalance Energy using the methodology contained for calculations for the Imbalance Energy Catch-up Payable described in Exhibit B hereto. The Parties agree to settle on and make payments for the net amount owed for Imbalance Energy for the Transition Period ninety days after the end of the Transition Period, including interest at the SCE Daily Money Market Rate, compounded daily, beginning 45 days after the day Imbalance Energy was delivered and ending on the date of payment. In that connection, SCE agrees to comply with all provisions related to collection and segregation requirements as set forth in the Act and in accordance with the remittance methodology contained in the Servicing Agreement.

**SECTION 2. Other ISO Invoiced Charges.** CDWR agrees to accept financial responsibility for those portions of Other ISO Invoiced Charges, after the last SCE cost responsibility hour, for which CDWR is identified as the responsible party in Exhibit A-1 and pursuant to the terms of item 8 in Exhibit A-2. In addition, SCE agrees to accept financial responsibility for those portions of Other ISO Invoiced Charges for which SCE is identified as the responsible party in Exhibit A-2.

In the event that the ISO or another entity responsible for the maintenance of grid reliability and transmission service were to change the calculation of any charge type or adds new charge types, the Parties agree to enter into good faith negotiations to determine responsibility for such changed or new charge type in a manner consistent with the principles that a) each Party will have the ability to recover revenues from SCE's retail customers through appropriate regulatory or judicial proceedings sufficient to cover that Party's financial responsibility for such appropriate portion of the ISO Invoiced Charges and (b) the allocation of financial responsibilities as set forth in Exhibits A-1 and A-2 of this Letter Agreement will not cause double-billing of SCE's retail customers for the ISO Invoiced Charges.

SCE shall reimburse CDWR for amounts previously paid to the ISO in respect of Other ISO Invoiced Charges allocated to SCE in Exhibit A-2, including Charges for Non-Retail Load as determined pursuant to Section 4 hereunder, for the period January 17, 2001 through the December 2001 preliminary ISO invoice ("Other ISO Charge Remittances"), and including any associated interest CDWR has paid to the ISO with respect to those amounts so that the accrued interest paid by the Parties for such charge types correlates to the assumed financial responsibility of each Party as provided herein. With respect to Other ISO Charge Remittances, SCE and CDWR agree to confer as to the amount of Other ISO Charge Remittances allocated to SCE within forty-five (45) days after the execution of this Letter Agreement. Upon CDWR's and SCE's joint determination of such amounts, SCE shall remit Other ISO Charge Remittances for Other ISO Charges previously paid by CDWR as a lump sum no later than September 1, 2002. SCE shall also pay to CDWR accrued interest on such Other ISO Charge Remittances from the date paid by CDWR to the ISO to the date

reimbursed by SCE to CDWR, at the SCE Daily Money Market Rate, compounded daily.

With respect to Other ISO Invoiced Charges allocated to SCE in Exhibit A-2, including Charges for Non-Retail Load determined pursuant to Section 4 herein, which have not been previously paid by CDWR to the ISO, SCE shall, from and after the effective date hereof, pay CDWR an amount equal to SCE's portion of Other ISO Invoiced Charges and CDWR shall remit the same amount to the ISO as payment for such Other ISO Invoiced Charges. With respect to ISO invoices received after the effective date of this Letter Agreement, SCE and CDWR agree to confer as to the amount of ISO monthly invoice charges allocated to each Party within 3 business days after receipt of the invoice from the ISO. Upon CDWR's and SCE's joint determination of such amounts consistent with the allocation set forth in Exhibits A-1 and A-2 attached hereto, SCE shall remit its respective portion of the Other ISO Invoiced Charges to CDWR on the same schedule as CDWR payments are due to the ISO in accordance with the ISO Payments Calendar (as defined in the ISO tariff). In the event that SCE does not make such remittances in full when due, SCE shall pay interest on the amount owed at the interest rates specified in the following sentence, compounded daily, from the due date to the date that payment is made. The applicable interest rate for this determination shall be the SCE Daily Money Market Rate for the first 30 days after amounts are due to the ISO, and the Late Payment Rate, as defined in the Servicing Agreement, for the period of time beginning 30 days after the amounts are due to the ISO until paid. Moreover, in the event that the ISO provides separate invoices to CDWR and SCE for ISO charges that are inconsistent with the financial responsibility allocation contained in Exhibits A-1 and A-2, the Parties agree to coordinate in the payment of such invoices and make any payment adjustments between themselves that are necessary to implement the financial responsibility allocation contained in Exhibits A-1 and A-2, to the extent allowed by applicable law.

Upon effectiveness of this Letter Agreement and during the term of this Letter Agreement as provided in Section 14, each Party shall be responsible for its respective portion of the Other ISO Invoiced Charges as set forth in Exhibits A-1 and A-2 hereto.

**SECTION 3. Instructed Imbalance Energy.** The Parties have not reached agreement regarding the treatment of Instructed Imbalance Energy as defined in the ISO tariff ("Instructed Imbalance Energy") and regarding whether Instructed Imbalance Energy provided by SCE generation and contracts to the ISO in real-time should be considered to serve SCE's retail load, and hence considered to be Imbalance Energy hereunder. Upon the execution of this Letter Agreement, SCE shall promptly seek clarification from the CPUC regarding the treatment of Instructed Imbalance Energy and whether Instructed Imbalance Energy provided by SCE generation and contracts to the ISO in real-time shall be considered to serve SCE's retail load, and hence should be considered Imbalance Energy for purposes of calculating remittances hereunder. Upon such clarification by the CPUC, the Parties shall apply the methodology adopted by the CPUC to the remittance obligations hereunder, and the Parties shall reimburse each other as necessary to adjust the amounts paid or owing by either Party based on the methodology approved by the CPUC, including interest on such adjustment at the SCE Daily Money Market Rate, compounded daily. However, until the CPUC issues a

decision on the treatment of Instructed Imbalance Energy, and for the purposes of making any payments when due hereunder, the Parties agree to the following:

(A) For purposes of calculating Imbalance Energy Remittances, Instructed Imbalance Energy produced from SCE's URG and contracts shall be considered sold by SCE to SCE's retail customers, and Instructed Imbalance Energy that is a reduction in the quantity of SCE's URG and contracts shall be considered to (a) reduce the amount of energy available from SCE's URG and contracts to serve SCE's retail load and (b) may result in additional energy being required to serve SCE's retail load that is considered to be purchased by CDWR from the ISO and sold by CDWR to SCE's retail customers; and

(B) Remittances by SCE for ISO Invoiced Charges shall not include charges or credits for Instructed Imbalance Energy provided by SCE.

The Parties agree that the above-described interim treatment of Instructed Imbalance Energy shall be without prejudice to either Party's position with respect to this issue.

SECTION 4. Charges for Non-Retail Load. In order to determine cost responsibility with respect to Charges for Non-Retail Load (as described in item 8 of Exhibit A-2), on a monthly basis SCE agrees to provide CDWR with SCE's cost allocation for each Existing Transmission Contract and SCE Power Contract (listed on Exhibit D). SCE's cost allocation shall identify all of the ISO credits and costs applicable to each Existing Transmission Contract or SCE Power Contract including, but not limited to, those ISO Invoiced Charges identified in Exhibit A-1 and A-2 for each hour. In addition, SCE agrees to provide all ISO Charge Type 401 and 407 energy quantities relating to each Existing Transmission Contract or SCE Power Contract. SCE agrees to provide this information for the months of January through November 2001 30 days following execution of this Letter Agreement. For each succeeding month, SCE agrees to provide such information 30 days after the due date for the payment of ISO charges for that month. Collectively, the information provided by SCE under this paragraph, as well as applicable ISO settlements data relating to this information, shall be defined as "Non-Retail Load Settlement Information".

SCE shall provide to CDWR, within ten (10) business days after the execution of this Letter Agreement, a list of the Existing Transmission Contracts and Power Contracts listed on Exhibit D hereto, containing the dates of execution and full names of the Parties thereto. SCE further agrees to provide CDWR, within ten (10) business days after the execution of this Letter Agreement, a description of the processes used to allocate ISO charges and credits to Existing Transmission Contracts and Power Contracts. SCE agrees to (1) allocate ISO charges and credits to Existing Transmission Contracts and Power Contracts in a manner that is consistent with the ISO's method for allocating such charges and credits and (2) use the same allocation process for the purposes of this Letter Agreement as SCE uses for other contracts and for internal accounting and regulatory reporting purposes.

SECTION 5. Settlement Information. Pursuant to the November 7, 2001 FERC order, the Parties agree that CDWR has received or will receive (a) Final Settlement Statements for the period beginning January 17 through September 30, 2001 from the

ISO relating to ISO Scheduling Coordinator identification SCE1, (b) Preliminary and Final Settlement Statements for dates on and after October 1, 2001 from the ISO relating to ISO Scheduling Coordinator identification SCE1, and (c) Non-Retail Load Settlement Information pursuant to Section 4 above (collectively, the "Settlement Information"). The Parties agree to treat the Settlement Information as Confidential Information, as defined in the Servicing Agreement, in accordance with Section 6.1 of the Servicing Agreement.

The Parties contemplate that the State Controller, Bureau of State Audits, or other entities authorized under State law to verify expenditure of public funds relating to the activities authorized under the Extended Act may need to have access to confidential Settlement Information received by CDWR. Upon receipt of such request, CDWR will provide a written notice of such request to SCE, and SCE agrees that in the exercise of its reasonable discretion it will provide CDWR with written consent to make available all or a portion of the confidential Settlement Information related to SCE to such State entities as soon as reasonably practicable, provided that any such State entity agrees to be bound by the terms and conditions and the intent set forth in this Section 4 or another agreement mutually acceptable to SCE and such State entity regarding the treatment of confidential Settlement Information related to SCE.

To the extent permitted by law, CDWR expressly agrees to maintain confidential treatment of all Settlement Information related to SCE provided under this Letter Agreement when requested to produce any such information pursuant to the California Public Records Act. Upon receipt of any request for such Settlement Information related to SCE under the California Public Records Act, CDWR will notify SCE in a timely manner and as far as reasonably practicable in advance of disclosure if CDWR determines that it must release such Settlement Information related to SCE provided to CDWR under this Agreement. The Parties will then endeavor to reach agreement as to the intended disclosure, including appropriate redaction of Settlement Information related to SCE so that the document may be disclosed. If the Parties cannot reach a mutually acceptable agreement to allow the disclosure of requested Settlement Information related to SCE, then CDWR will provide SCE with sufficient time to take appropriate action to protect its interests prior to disclosing any such Settlement Information related to SCE.

**SECTION 6. Financial Responsibility.** Pursuant to this Letter Agreement, CDWR and SCE will jointly notify the ISO as to the financial responsibility and payment arrangements for ISO Invoiced Charges provided hereunder.

It is CDWR's intent to have a consistent settlement agreement to address cost allocation of ISO Invoiced Charges for non-creditworthy investor-owned utilities (IOUs). Should CDWR reach an agreement with respect to the allocation of ISO Invoiced Charges with another non-creditworthy IOU for which it is authorized to procure power under the Act that, in SCE's judgment, is more favorable than the allocation of charges set forth in Exhibits A-1 and A-2 hereto, SCE shall have the right to receive the same allocation of ISO Invoiced Charges as such other IOU to be applied to SCE's agreement with CDWR under this Letter Agreement. This provision explicitly does not permit SCE to select particular portions of such other IOU's allocation of ISO Invoiced Charges to be

applied to SCE's allocation under this Letter Agreement, and if SCE elects to take the allocation of ISO Invoiced Charges of such other IOU's agreement with CDWR, SCE takes such other IOU's allocation in its entirety and shall forgo any rights or benefits under Exhibits A-1 and A-2 hereto.

**SECTION 7. Coordination of Settlement and Payment Activities.** The Parties agree to coordinate their settlement and payment activities hereunder and exchange relevant information to prevent the double payment of any ISO charge. Although the Parties have no responsibility for the ISO's remittance of revenue to third parties, each Party agrees to advise the other if it becomes aware of any ISO overpayment or duplicate payment to third parties. The Parties agree to work together to promptly reverse any such overpayment or duplicate payment by the ISO.

**SECTION 8. Filing of Letter Agreement.** CDWR agrees to file an executed copy of this Letter Agreement with FERC for informational purposes within an existing docket as a full and final resolution of the issues raised in CDWR's Request for Rehearing with respect to CDWR's responsibility for ISO Invoiced Charges with respect to SCE as provided in Exhibit A-1 and SCE responsibility for ISO Invoiced Charges as provided in Exhibit A-2. In addition, CDWR at its discretion may file this Letter Agreement with the CPUC so as to update its revenue requirement.

**SECTION 9. Amendment to the Servicing Agreement.** The Parties agree to enter in an amendment to the Servicing Agreement which will include among its provisions, the same provisions as this Letter Agreement (the "Amendment to the Servicing Agreement") within fifteen (15) business days of the date of execution of this Letter Agreement. The Parties agree that within seven (7) days of the execution of the Amendment of the Servicing Agreement by both Parties, SCE shall file with the Commission a Motion for Expedited Approval of Amendment to the Servicing Agreement. The Parties acknowledge that the CPUC may order amendment to this Letter Agreement as part of its approval of and any change to the proposed Amendment to the Servicing Agreement, and the Parties agree to amend this Letter Agreement as may be ordered by the CPUC.

**SECTION 10. Audit Rights.** Each Party shall have the right to undertake, or request the undertaking by a competent independent party of an audit of the ISO invoices relating to this Letter Agreement, final settlement data concerning such ISO invoices and Non-Retail Load Settlement Information with regard to any allocation, cost or financial obligation of either Party resulting from this Letter Agreement, the cost of which audit shall be paid by the Party requesting such audit. In addition, CDWR's audit rights as described in Section 8.2 of the Servicing Agreement shall apply to any information required for implementing this Letter Agreement, including the right to audit SCE records and procedures containing information bearing upon SCE's performance of its obligations under this Letter Agreement. The audit rights provided in this paragraph shall extend one year beyond the date of termination of this Letter Agreement.

SECTION 11. No Waiver. The failure to object to a breach of a provision in this Letter Agreement by either Party shall not be deemed to be a waiver of any other rights of such Party contained in this Letter Agreement.

SECTION 12. Good Faith Negotiations Upon Amendment. Upon the effective date of this Letter Agreement, if there is any amendment or modification of a related condition required by any governmental body having jurisdiction, the Parties will enter into good faith negotiations as soon as practicable to develop and enter into a new arrangement which preserves the respective rights, obligations and benefits under this Letter Agreement as nearly as possible.

SECTION 13. Dispute Resolution. Should any dispute arise between the Parties as to the specific amounts to be remitted under Sections 1, 2 and 3 hereof, or should any dispute between the Parties arise from the exercise of either Party's audit rights contained in Section 10 hereof, the Parties shall remit any undisputed amounts and agree to enter into good faith negotiations as soon as practicable to resolve such disputes within (10) business days so as to fully allocate and pay appropriate amounts to each other or to the ISO as appropriate within the timeframes provided under this Letter Agreement, or as soon as possible thereafter. For disputed ISO Invoiced Charges, if such resolution cannot be made before the ISO invoice due date, SCE shall accept and remit the undisputed portion of such ISO Invoiced Charges to CDWR. In addition, CDWR shall pay the disputed portion of the ISO Invoiced Charges to the ISO and SCE shall deposit an amount equal to the disputed portion of the ISO Invoiced Charges into an escrow account held by a qualified, independent escrow holder. SCE shall reimburse CDWR from the escrow account as necessary to reflect the resolution of such disputes.

SECTION 14. ISO Disputes. Nothing in this Letter Agreement is intended to release or extinguish any rights of CDWR or SCE to file disputes with the ISO related to the ISO invoices or the related settlement data which do not relate to the allocation of charges between the Parties as set forth in Exhibits A-1 and A-2 attached hereto. Furthermore, SCE agrees to review all ISO settlement statements pertaining to the SCE1 Scheduling Coordinator and file disputes as necessary.

SECTION 15. Term. Upon the earlier of (a) SCE becoming creditworthy (as defined by the ISO tariff) and obtaining CPUC approval of SCE's resumption of the procurement function for its retail customers or (b) expiration of CDWR's authority under the Extended Act to enter into contracts for the cost of electric power and transmission, scheduling, and other related expenses incurred by CDWR from amounts in the Electric Power Fund available for purposes set forth herein, this Letter Agreement and the rights and obligations of each Party hereunder shall automatically terminate. Upon such event, nothing in this Letter Agreement shall establish, bind or allocate financial responsibility to either Party for ISO Invoiced Charges from such time forward. In addition, this Letter Agreement may be terminated by mutual agreement of the Parties in writing.

SECTION 16. Governing Law. This Letter Agreement shall be construed in accordance with the laws of the State of California. Nothing herein shall be deemed an

admission of, or consent to, the jurisdiction of any court or administrative body by either party with respect to any issue arising under or related to this Letter Agreement, nor as a waiver of any objection either Party may have to the exercise of jurisdiction by, submission to or consideration by any court or administrative body of any such issues, including but not limited to on the basis of the Eleventh Amendment of the United States Constitution, Johnson Act (28 U.S.C. Section 1343) or the United States Bankruptcy Code.

SECTION 17. Assignment. Neither Party shall assign this Letter Agreement or its rights hereunder without the prior written consent of the other Party, which consent may be withheld in the exercise of its sole discretion.

SECTION 18. Severability. In the event that any of the terms, covenants or conditions of this Letter Agreement, or the application of any such term, covenant or condition, shall be held invalid as to any person or circumstance by any court, regulatory agency, or other regulatory body having jurisdiction, all other terms, covenants, or conditions of this Letter Agreement and their application shall not be affected thereby, but shall remain in full force and effect, unless a court, regulatory agency, or other regulatory body holds that the provisions are not separable from all other provisions of this Letter Agreement.

SECTION 19. Limited Liability. Any liability of CDWR arising in connection with this Letter Agreement or any claim based thereon or with respect thereto arising as the result of any breach or default hereunder, and any other payment obligation or liability of or judgment against CDWR hereunder, shall be satisfied solely from the Electric Power Fund. Neither the full faith and credit nor the taxing power of the State of California are or may be pledged for any payment hereunder. Revenues and assets of the State Water Resources Development System shall not be liable for or available to make any payments or satisfy any obligation arising hereunder.

SECTION 20. Counterparts. This Letter Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall be deemed to be one and the same instrument.



SECTION 21. Entire Agreement. This Letter Agreement (including the exhibits hereto) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

Very truly yours,

CALIFORNIA DEPARTMENT OF WATER  
RESOURCES, acting solely under the  
authority and powers granted by AB1-X,  
codified as Sections 80000 through 80270 of  
the California Water Code, as amended, and  
not under its powers and responsibilities with  
respect to the State Water Resources  
Development System

By: 

Peter S. Garris  
Deputy Director

ACCEPTED AND AGREED TO  
AS ABOVE WRITTEN:

SOUTHERN CALIFORNIA EDISON COMPANY

By: 

James Scilacci

Title: Vice President and Chief Financial Officer

Date: February 28, 2002

## EXHIBIT A-1

Charge	Responsible Party
<p><b>1. Ancillary Services:</b> From January 17, 2001 forward, CERS will assume financial responsibility for Ancillary Services (currently CT (Charge Type) 111-Spinning Reserve due ISO; 112-Non-Spinning Reserve due ISO; 114-Replacement Reserve due ISO; 115-Regulation Up due ISO; 116-Regulation Down due ISO).</p> <p>A. Net of IOU Ancillary Service revenue derived from utility retained generation (<i>i.e.</i>, currently CT 1-Day Ahead Spinning Reserve due SC; 2-Day Ahead Non-Spinning Reserve due SC; 4-Day Ahead Replacement Reserve due SC; 5-Hour Ahead Regulation Up due SC; 6-Day Ahead Regulation Down due SC; 51-Hour Ahead Spinning Reserve due SC; 52-Hour Ahead Non-Spinning Reserve due SC; 54-Hour Ahead Replacement Reserve due SC; 55-Hour Ahead Regulation Up due SC; 56-Hour Ahead Regulation Down due SC); 24-Dispatched Replacement Reserve (Bid-In) Capacity Withhold; 124-Dispatched Replacement Reserve (Self-Provided) Capacity Withhold.</p> <p>B. As adjusted by Rational Buyer, RMR Preemption, <i>i.e.</i>, CT 1011-Ancillary Service Rational Buyer Adjustment; 1061-Distribution of Preempted Spinning Reserve; 1062-Distribution of Preempted Non-Spinning Reserve; 1064-Distribution of Preempted Replacement Reserve; 1065-Distribution of Preempted Regulation Up; 1066-Distribution of Preempted Regulation Down; 1012-RMR Preemption Revenue Allocation; 61- Hour Ahead RMR Preemption of Spinning Reserve; 62- Hour Ahead RMR Preemption of Non-Spinning Reserve; 64- Hour Ahead RMR Preemption of Replacement Reserve; 65- Hour Ahead RMR Preemption of Regulation Up; 66- Hour Ahead RMR Preemption of Regulation Down; 71- Real Time RMR Preemption of Spinning Reserve; 72- Real Time RMR Preemption of Non-Spinning Reserve; 74- Real Time RMR Preemption of Replacement Reserve; 75- Real Time RMR Preemption of Regulation Up; 76- Real Time RMR Preemption of Regulation Down; 81- Real Time RMR Preemption of Spinning Reserve; 82- Real Time RMR Preemption of Non-Spinning Reserve; 84- Real Time RMR Preemption of Replacement Reserve; 85- Real Time RMR Preemption of Regulation Up; 86-Real Time RMR Preemption of Regulation Down.</p> <p>C. As further adjusted by No Pay and Noncompliance, <i>i.e.</i>, CT 141-No Pay Charge Spinning Reserve; 142-No Pay Charge-Non-Spinning Reserve; 144-No Pay Charge-Replacement Reserve; 145-Non Compliance Charge for Regulation Up; 146-Non Compliance Charge for Regulation Down; 1030-No Pay Provision Market Refund.</p>	<p><b>CERS</b></p>

Charge	Responsible Party
<p><b>2. Imbalance Energy and UFE:</b> From January 17, 2001 forward, with respect to net short of the IOUs, CERS will assume financial responsibility for Imbalance Energy, <i>i.e.</i>, currently CT 406-SC Unaccounted for Energy; 407-Uninstructed Energy; 487-Allocation of Excess Cost for Uninstructed Energy; 591-Emissions Cost Recovery; and 592-Start-Up Cost Recovery—as netted against current CT 401-Instructed Energy; 481-Excess Cost for Instructed Energy; 593-Emissions Cost Due Trustee; and 594-Start-Up Cost due Trustee revenues received by the IOUs from their utility retained generation.</p>	<p><i>CERS; however, responsibility for CT 401, 481 Instructed Energy credits and charges to be determined by the CPUC as described in Section 3.</i></p>
<p><b>3. Neutrality:</b> From January 17, 2001 forward CERS will assume responsibility for CT 1010-Neutrality; 1210-Existing Contracts Cash Neutrality Charge/Refund.</p>	<p><i>CERS</i></p>
<p><b>4. Interest:</b> CERS will assume responsibility for CT 3999 Interest and Penalty Charges for those charges set forth in Exhibit A-1 and with respect to such charges related to the net short of SCE that CERS has assumed responsibility as set forth in Exhibit A-2. CERS will not pay interest accrued on past due principal amounts prior to January 17, 2001.</p>	<p><i>CERS</i></p>

## EXHIBIT A-2

Charge	Responsible Party
<b>1. Grid Management Charge:</b> These ISO administrative fees are composed of CT 521-Control Area Services Grid Management Charge; 522-Interzonal Scheduling Grid Management Charge; 523-Market Operations Grid Management Charge, 524-A/S and Real Time Energy Operations Charge; 3351-Grid Management Charge Adjustment Charge/Refund.	SCE
<b>2. Demand Relief Programs:</b> This includes Charge Types 117-Demand Relief Monthly Capacity Charge less 007-Demand Relief Monthly Payment; 3482-Demand Relief Monthly Energy Charge less 3472-Demand Relief Energy Payment; 3483-Discretionary Load Curtailment Program Energy Charge less 3473- Discretionary Load Curtailment Program Energy Payment; 1120-Est. Summer Reliability Contract Capacity Payment/Charge; 1121-Adj. Summer Reliability Contract Capacity Payment/Charge.	SCE
<b>3. Transmission Charges:</b> These Charge Types include 372-High Voltage Access Charge due ISO; 382-High Voltage Wheeling Charge due ISO; 383-Low Voltage Wheeling Charge.	SCE
<b>4. Inter-Zonal Congestion:</b> These Charge Types include 203-Day-Ahead Inter-Zonal Congestion Settlement; 253-Hour-Ahead Inter-Zonal Congestion; 256-Hour-Ahead Inter-Zonal Congestion Debit to SCs.	SCE
<b>5. URG Penalty:</b> This penalty charge (CT 485-Insufficient Response to Alert, Warning and Emergency instruction) is associated with lack of response by utility retained generators in emergency conditions.	SCE
<b>6. Underscheduling Penalty:</b> This penalty charge (CT 480-Under Scheduled Load Penalty-due ISO) is associated with the IOUs' forecast of load.	<i>The Underscheduling Penalty has been eliminated by FERC order. This Letter Agreement does not purport to assign responsibility for the Underscheduling Penalty to either Party hereunder</i>
<b>7. Interest:</b> Interest associated with all principal amounts which were past due prior to January 17, 2001 (including those items described in Exhibit A-1) or interest associated with principal amounts for which SCE is the responsible party as set forth in this Exhibit A-2, including interest assessed to SCE by the ISO as part of Neutrality Charge Type 1010.	SCE
<b>8. Charges for Non-Retail Load:</b> This includes all charges assessed by the ISO to SCE for SCE's existing transmission contracts and all charges except 407-Uninstructed Energy and 487-Allocation of Excess Cost for Uninstructed Energy for SCE's Power Contracts' load which is served by SCE's generation and contracts. Charges for 407-Uninstructed Energy and 487-Allocation of Excess Cost for Uninstructed Energy for such Power Contracts' load shall be paid by CDWR.	SCE
<b>9. Reliability Must Run related payments or charges:</b> This includes charges associated with RMR unit operations. To the extent SCE's RMR generation is not operated according to contract, SCE will be financially responsible for charges assessed by the ISO for SCE's failure to perform contractual obligations. (For example, CT 410, RMR Imbalance Energy Payment Withheld for Unscheduled RMR energy.)	SCE
<b>10. Transmission Owner Related Payments or Charges:</b> SCE is entitled to payments or billing adjustments related to congestion refunds due TO. (CT 204 and 254). SCE has separate SC agreements to account for TO payments	SCE

Charge	Responsible Party
and charges. To the extent the ISO has credited or debited TO related charges to CERS, these payments and charges rightfully belong to the TO function of SCE.	
<b>11. Voltage Support:</b> Costs associated with Voltage Support, CT 1302 Long Term Voltage Support, less any payments received by SCE for providing Voltage Support, including but not limited to CT 3303-Long Term Voltage Support Due SC. This category shall also include costs associated with Supplemental Reactive Energy, CT 1303-Supplemental Reactive Energy due ISO, less any payments received by SCE for providing supplemental reactive energy, including by not limited to CT 302-Supplemental Reactive Power due SC and CT 3302-Supplemental Reactive Energy Due SC.	SCE
<b>12. Any other charges:</b> To the extent additional charges are billed to SCE or developed by ISO, CERS and SCE will analyze these charges to determine if they are third-party transactions to be credit-backed by CERS.	<i>The responsible party for these charges shall be determined pursuant to Section 2 of the Letter Agreement</i>

## **EXHIBIT B**

### **Imbalance Energy Catch-Up Payable**

Payments for the Imbalance Energy for the Catch-Up Period shall be remitted as described in this Exhibit B.

DWR and SCE shall agree on the kilowatt-hours of Imbalance Energy bought or sold for SCE's retail customers by the ISO for each hour of the Catch-Up Period. With respect to such quantification of Imbalance Energy, Section 3 of this Letter Agreement regarding the treatment of Instructed Imbalance Energy shall apply.

For the purposes of this Letter Agreement, Imbalance Energy shall include Uninstructed Energy quantities reflected in ISO's Charge Type 407. Instructed Energy (also referred to herein as Instructed Imbalance Energy) quantities reflected in ISO's Charge Type 401 shall be included or excluded from Imbalance Energy as provided in Section 3 of this Letter Agreement. Notwithstanding the foregoing, Uninstructed Energy (Charge Type 407) and Instructed Energy (Charge Type 401) bought or sold by SCE in connection with its Existing Transmission Contracts shall not be considered Imbalance Energy hereunder.

SCE shall determine the weighted-average Distribution Loss Factor for each hour of the Catch-Up Period ("Hourly DLF") as follows: subtract (a) SCE's aggregated retail usage from (b) SCE's retail usage reported to the ISO, which is aggregated retail usage grossed retail usage reported to the ISO.

SCE shall multiply the kilowatt-hours of Imbalance Energy bought or sold for SCE's retail customers by the ISO by the factor of one minus the Hourly DLF to determine the "Hourly Imbalance Energy Purchases/Sales At Retail." For each day of the Catch-Up Period, SCE shall net the Hourly Imbalance Energy Purchases/Sales At Retail to determine the "Daily Imbalance Energy Purchases/Sales At Retail."

SCE shall multiply the Daily Imbalance Energy Purchases/Sales At Retail by the rate that SCE paid DWR for Scheduled Energy delivered that day and by a factor of one minus of the applicable CPUC authorized uncollectibles factor, which represents the fraction of SCE bills which is not collectable from retail customers, to determine the "Daily Imbalance Energy Payable/Receivable." SCE shall net the Daily Imbalance Energy Payable/Receivable for each day of the Catch-Up Period to determine the "Imbalance Energy Catch-Up Payable Before Interest" due to DWR.

SCE shall provide DWR with work papers to validate SCE calculations of DLFs and uncollectibles.

The Parties acknowledge that as of the date of the execution of this Letter Agreement, ISO settlement statements will not be available for all days of the Catch-up Period. The Parties agree, therefore, that the above calculations will be true-up and revised as necessary as ISO settlement statements become available for the entire Catch-up Period. Such true-up payments described in this provision shall be made on July 1, 2002.

## **EXHIBIT C**

### **Total Offsets**

Offsets for the period January 17, 2001 through June 2, 2001 ("Adjustment Period").

SCE shall calculate the following offsets and provide DWR with appropriate work papers to validate SCE's calculations:

#### **C.1 Loss Adjustment For Scheduled Energy for the Adjustment Period.**

Prior to June 3, 2001, SCE's retail customers paid CDWR for Scheduled Energy that was not adjusted for distribution losses. The Loss Adjustment For Scheduled Energy is intended to compensate SCE for payments that SCE previously made to CDWR for Scheduled Energy that was not delivered to SCE's retail customers as a result of distribution losses.

The "Hourly Loss Adjustment For Scheduled Energy" shall be determined by multiplying the Scheduled Energy for which CDWR was paid by SCE for each hour of the Adjustment Period by the Hourly DLF and by the rate (in dollars per megawatt-hours) CDWR was paid for such Scheduled Energy.

The "Loss Adjustment For Scheduled Energy" shall be determined by summing the Hourly Loss Adjustment For Scheduled Energy over all hours of the Adjustment Period.

#### **C.2 Uncollectibles Adjustment For Scheduled Energy for the Adjustment Period.**

Prior to June 3, 2001, SCE paid CDWR for Scheduled Energy deliveries to retail customers, for which SCE may not have been paid by retail customers. The Uncollectibles Adjustment For Scheduled Energy is intended to compensate SCE for payments that SCE previously made to CDWR for Scheduled Energy, but did not receive from its retail customers.

The "Hourly Adjusted Scheduled Energy Payable" shall be determined by multiplying the Scheduled Energy for which CDWR was paid by SCE for each hour of the Adjustment Period by a factor of one minus the Hourly DLF and by the rate (in dollars per megawatt-hours) that CDWR was paid for such Scheduled Energy.

The "Hourly Uncollectibles Adjustment For Scheduled Energy" shall be determined by multiplying the Hourly Adjusted Scheduled Energy Payable by a factor of one minus the applicable CPUC authorized uncollectibles factor.

The "Uncollectibles Adjustment For Scheduled Energy" shall be determined by summing the Hourly Uncollectibles Adjustment For Scheduled Energy over all hours of the Adjustment Period.

#### **C.3 Total Offsets.**

The sum of the Loss Adjustment For Scheduled Energy and the Uncollectibles Adjustment For Scheduled Energy shall be defined as the "Total Offsets."

## EXHIBIT D

### SCE'S EXISTING TRANSMISSION CONTRACTS AND POWER CONTRACTS

<b>Transmission Contracts</b>
AEPCo Firm Transmission Service Agreement
APS Firm Transmission Service Agreement (Blythe)
Firm Transmission Service Agreement (Eldorado-Vincent)
IID Firm Transmission Service Agreement
Eldorado System Transmission Rights And Curtailments
LADWP Exchange Agreement
US Bureau Of Reclamation Navajo Transmission Agreement
MATA Agreement (MKP-MCC WHEEL)
MSR Firm Transmission Service Agreement
PacificCorp Transmission Service Agreement
Mohave Project Co-Tenancy Agreement
<b>Power Contracts</b>
AEPCo Load Control Agreement
BPA Sale AND Exchange Agreement
BPA Environmental Energy Storage Agreement
CDWR Power Contract
CDWR Capacity Exchange Agreement
Edwards AFB Revised Power Displacement Agreement
March AFB Power Allocations FROM Agreement
Metropolitan Water District Service AND Interchange Agreement
Metropolitan Water District Etiwanda Transmission Service Agreement
NEVP Power Purchase Agreement
PacificCorp Long Term Power Sales Agreement
PacificCorp Winter Power Sale Agreement
TEP Power Exchange Agreement
Valley Electric Exchange Agreement
Boulder Canyon Project



**DEPARTMENT OF WATER RESOURCES**

California Energy Resources Scheduling  
PO Box 219001  
3310 El Camino Avenue, Suite 120  
SACRAMENTO, CA 95821-9001  
(916)574-1291

**MAR 18 2002**

**Southern California Edison  
8831 Rush Street  
Rosemead, California 91770  
Attention: James Sciacci**

**Dear Mr. Sciacci:**

The California Department of Water Resources ("CDWR") refers to the Letter Agreement, dated February 28, 2002 (the "Letter Agreement"), between the California Energy Resources Scheduling division of CDWR, acting solely under the authority and powers granted by AB 1X, codified as Sections 80000 through 80270 of the California Water Code, as amended, but not under its powers and responsibilities with respect to the State Water Resources Development System, and Southern California Edison Company, a corporation organized and existing under the laws of the State of California ("SCE"). Unless otherwise defined herein, the terms defined in the Letter Agreement shall be used herein as therein defined. This Letter Amendment is intended to correct certain inadvertent errors and omissions in the Letter Agreement.

The Letter Agreement is, effective as of its date, hereby amended as follows:

- (a) Section 4 of the Letter Agreement is hereby amended by deleting the words "and A-2" in the seventh line of the first paragraph thereof;
- (b) Section 5 of the Letter Agreement is hereby amended by deleting the words "Section 4" in the tenth line of the second paragraph thereof, and substituting for such words "Section 5";
- (c) Item 4 (Inter-Zonal Congestion) of Exhibit A-2 of the Letter Agreement is hereby amended by adding the following charges; "451-Real Time Intrazonal Congestion Inc/Dec Settlement; 452-Real Time Intrazonal Congestion Charge Refund" to the end of Item 4 under the column labeled "Charge";
- (d) Item 8 (Charges for Non-Retail Load) of Exhibit A-2 of the Letter Agreement is hereby amended by adding the parenthetical "(as listed on Exhibit D hereto)" immediately after the words "SCE's Power Contracts" in the fourth line thereof; and
- (e) Exhibit B of the Letter Agreement is hereby amended by adding the words "up for distribution losses, and divide the resulting quantity by (c) SCE's" immediately

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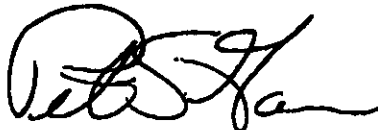
after the words "aggregated retail usage grossed" in the third line of the fourth paragraph thereof.

On and after the effectiveness of this Letter Amendment, each reference in the Letter Agreement to "this Letter Agreement," "hereunder," "hereof," or words of like import referring to the Letter Agreement shall mean the Letter Agreement as amended by this Letter Amendment. The Letter Agreement, as amended by this Letter Amendment, is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed.

This Letter Amendment may be executed in any number of counterparts and by any combination of the Parties hereto in separate counterparts, each of which counterparts shall constitute one and the same Letter Amendment. This Letter Amendment shall be governed by, and construed in accordance with, the laws of the State of California.

If you agree to the terms and provisions hereof, please evidence your agreement by executing and returning at least one counterpart of this Letter Amendment to us.

Sincerely,



Peter S. Garris  
Deputy Director

CALIFORNIA DEPARTMENT OF WATER  
RESOURCES, acting solely under the  
authority and powers granted by AB 1X,  
codified as Sections 80000 through 80270 of  
the California Water Code, as amended, and  
not under its powers and responsibilities with  
respect to the State Water Resources  
Development System

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**AGREED AND ACCEPTED:**

**SOUTHERN CALIFORNIA EDISON COMPANY**

Signed: 

Name (Print) W.J. Scilacci

Title Vice President : CFO

Date 3/19/02